

NOTIFICATION

CLS Segment

This has been superseded by Notification No. CCIL/FXS-CLS/21/31 dated 07-Sept-2021 on Changes to the CLS Segment Regulations

Date: September 21, 2020

Notification No.: CCIL/FXS-CLS/20/58

To,

Member Banks

Dear Sir/Madam

Changes to the CLS Segment Regulations

Members are hereby advised that the CLS Segment Regulations have been updated to include changes to give effect to the following:-

- a) **Chapter VII - Settlement Shortage and Defaults** - Action to be taken by the Clearing Corporation in case a member has been placed under moratorium or any other directions issued by the Regulator or a Competent authority due to which the member is unable to replenish shortage in the CLS Segment.
- b) **Chapter VIII-Risk Management** –Implementation of additional risk management measures in the CLS segment viz.: (i) Step up haircuts based on ratings of Members. (ii) Take services of a rating agency to obtain these ratings. (iii) Step up the haircuts irrespective of the ratings applicable, in case of significant deterioration in the financial position of the member.

The changes effected to the Regulations of the CLS Segment are enclosed as **Annexure**.

The updated Regulations are available on our website (www.ccilindia.com) under Membership section and shall be effective from November 2, 2020.

Yours faithfully,
For The Clearing Corporation of India Ltd.,

Sd/-
Managing Director

Annexure to Notification No. CCIL/FXS-CLS/20/58

THE CLEARING CORPORATION OF INDIA LIMITED

**CHANGES TO REGULATIONS
(CLS SEGMENT)**

Changes to CLS Segment Regulations

Chapter VII: Settlement Shortages and Defaults

A 1. SETTLEMENT SHORTAGE

Failure of a member to discharge its obligation to pay funds due from it at the time of settlement shall be treated as a Settlement Shortage.

DECLARATION OF DEFAULT

A member for the purpose of these regulations may be declared as a Defaulter in the event of:

- a) Failure to replenish its settlement shortage within the stipulated cut-off time.
- b) If it is declared Defaulter in another segment and/or has filed for insolvency under relevant laws and/or is declared insolvent by a competent authority in an application filed against it.
- c) Any other circumstances as set out in the Bye Laws and Rules of Clearing Corporation.

Provided however, if the Member-in-shortage has been placed under moratorium or any other directions issued by the Regulator or a competent authority due to which such Member is not able to replenish the shortage, then, in that case, the Clearing Corporation shall have the right to initiate appropriation of counter-value funds, collateral including its SGF contributions, without declaring such member as a Defaulter. Further Clearing Corporation shall have the right to rescind trades accepted for settlement through CLS bank.

Chapter VIII Risk Management

A) SCOPE

The provisions of this Chapter are outlines of the risk management practice of Clearing Corporation for its CLS Segment. Clearing Corporation shall have the sole discretion to review its practices relating to risk containment measures from time to time. Clearing Corporation shall cover the risk through a prescription of

1. Limit, for each Member as defined in Sub regulations A in Chapter VI.
2. Applicable Currency specific Haircut and Collateral in the form of, cash and/or securities deposited by the members or bank guarantees arranged for by the members as cover for the limits granted to them.
3. Clearing Corporation may set different haircuts for different Members, based on the ratings/gradings assigned to the Members on the basis of certain financial parameters including net worth, asset quality etc. as are considered necessary by Clearing Corporation from time to time.

Clearing Corporation may take the assistance of any reputed rating agency for arriving at such ratings and the decision of Clearing Corporation in regard to the selection of such agency or in regard to the ratings arrived at for the Members shall be final and binding on the Members.

For International Financial Services Centre (IFSC) Banking Units (IBUs) which have been granted Membership in CLS segment, the same rating step up as has been applied to the parent bank would be applicable.

Notwithstanding the credit rating/grading, Clearing Corporation may hike haircuts in case of any regulatory actions/deterioration in financial position/adverse market report etc.