THE CLEARING CORPORATION OF INDIA LIMITED

FOREX FORWARD SEGMENT REGULATIONS

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Updated in November, 2026.

CHAPTER I: INTRODUCTION

The Regulations framed hereunder shall be called as "The Forex Forward Regulation, 2004 *(as amended in November, 2026)*" of The Clearing Corporation of India Ltd.

APPLICABILITY

These Regulations shall be applicable to all Members of the Forex Settlement Segment that are allowed by Clearing Corporation to settle their Forex Forward Transactions with guarantee from Trade date.

DEFINITIONS

Unless explicitly stated otherwise, all words and expressions used herein but not defined, and defined in Forex Settlement Segment Regulation of Clearing Corporation, shall have the meanings respectively assigned to them therein.

1. **ALLOCATION OF DEFAULTER'S PORTFOLIO**

   Allocation shall mean allocation of part/ whole of the Defaulter's Portfolio to non-defaulters at a price determined by Clearing Corporation.

2. **ASSESSMENT CALLS**

   Assessment calls means the resources called from non-defaulting Members to replenish the Default Fund when losses on Default handling exceed Prefunded Default Handling Resources.

3. **AUCTION**

   An auction means an auction of the Defaulter's Portfolio.

4. **AUCTION POOL/BUCKET**

   Auction Pool / Bucket means the Defaulter's Portfolio split into multiple portfolios to enhance the efficiency of the auction process, and each such portfolio shall be referred to as an Auction Pool / Bucket.

   Explanation: Where the defaulter's entire portfolio is auctioned without any split, such portfolio will constitute a single Auction Pool/Bucket.

5. CLEARING MEMBER

Clearing Member" is a Member of the Forex Forward Segment who is permitted under the Bye-Laws, Rules and Regulations to submit its Proprietary Trades and its Constituents' Trades for Clearing and Settlement to Clearing Corporation.

6. CONSTITUENT

Constituent means an entity or a person on whose instructions and on whose account the Clearing Member clears Trades in the Forex Forwards Segment.

7. CONSTITUENT TRADES

Constituent Trades means Trades submitted by a Member on account of its Constituent for Clearing and Settlement to Clearing Corporation.

8. DEFAULT MANAGEMENT COMMITTEE or DMC

Default Management Committees or DMC means committees established by the Clearing Corporation for the purpose of advising and assisting the Clearing Corporation in administration / management / handling of a Default by a Member and in other related matters and governed by the provisions set forth in Chapter XIII of Regulations of this Segment.

9. DEFAULT MANAGEMENT PERIOD

Default Management Period means the period commencing on the day that Clearing Corporation declares a Member as defaulter, and shall conclude on the Default Management Period End Date.

10. DEFAULT MANAGEMENT PERIOD END DATE

Default Management Period End Date means the Business Day following the declaration by the Clearing Corporation that:

a. a Matched Book as provided for in Regulation D(4) of Chapter VI of these Regulations has been restored and the obligations, losses or expenses incurred or sustained by the Clearing Corporation in connection with the Default of Member(s) are known, or can reasonably be determined, and have been satisfied or settled ; and

b. any of the actions, rights or remedies available to the Clearing Corporation with respect to the Default of any Member that were deemed necessary by the Clearing Corporation have been taken and duly completed;

11. DEFAULTER'S PORTFOLIO

Defaulter's Portfolio means and include the positions of the defaulter Member accepted for Clearing and Settlement and may include Hedge Trades (if there be any) done to neutralize partially/ fully the market risk of such positions.

12. HEDGE TRADES

Hedge Trades means Trades executed by Clearing Corporation for the purpose of reducing or neutralising the market risk on Defaulter's Portfolio. Such Trades shall be included as a part of the Defaulter's Portfolio.

13. JUNIORISATION

Juniorisation means a process whereby for each Auction Pool, the Clearing Corporation shall rank non-defaulting Members based on their performance in Auction such that the Default Fund contributions of some non- defaulting Members are appropriated prior to that of others.

14. MATCHED BOOK

Matched Book means a matched book of Clearing Corporation when its obligations to some Members arising out of Trades cleared by it are matched by obligations of remaining Members to the Clearing Corporation on account of such Trades.

15. MULTI-UNIT DISCRIMINATORY PRICE AUCTION

Multi-unit Discriminatory Price Auction shall mean an Auction where multiple identical units of each Auction Pool are made available and considerations paid/ received by winning bidders are at prices at which the bidders have won their respective units fully/partially.

16. PORTING

Porting means the transfer of trades, positions and margins of a Constituent from one Clearing Member to another Clearing Member.

17. PREFUNDED DEFAULT HANDLING RESOURCES

Prefunded Default Handling Resources means and include Defaulter's resources with Clearing Corporation, Clearing Corporation's contribution earmarked for the Segment from its settlement reserve fund and non-defaulters' Default Fund contribution.

18. PROPRIETARY TRADES

Proprietary Trades means trades submitted by a Member for its own account for Clearing and Settlement to Clearing Corporation.

19. RESERVE PRICE

Reserve price means the lowest payment that the Clearing Corporation shall be willing to receive from a Member or the highest payment that it shall be willing to pay to a Member in case of a hedging transaction or to a winning Member in an Auction.

20. SINGLE UNIT AUCTION

Single-unit Auction means an Auction where an Auction Pool will be available as a single unit.

21. SELF CLEARING MEMBER

"Self-Clearing Member" is a Member who is permitted under the Bye-Laws, Rules and Regulations of Clearing Corporation, to clear and settle only Proprietary Trades.

22. TEARING-UP OF TRADES

Tearing-up of Trades means the process of closing out of Trades before the Trade's Value Date where such close-out is initiated by the Clearing Corporation as part of its Default Management Process.

Unless explicitly stated otherwise, all capitalized terms used herein but not defined, and defined in the Bye-Laws or Rules of Clearing Corporation, shall have the same meanings as assigned to them therein.

CHAPTER II: MEMBERSHIP

A. APPLICATION FOR MEMBERSHIP

a. Every Member of the Forex Settlement Segment of Clearing Corporation who is desirous of availing the facility of Central Counterparty clearing for Forex Forward Trades shall submit an application in the prescribed format to Clearing Corporation. The application may be complete in all respects together with all requisite enclosures required to be submitted in terms of the Application Form and comply with the necessary formalities as prescribed for admission as Member of the Forex Forward Segment.

b. The applicant on admission as a Member shall be granted permission to avail of the facility of guaranteed Settlement of Forex Forward Trades upon due compliance with necessary formalities in this regard.

c. Every Member admitted under this Segment by Clearing Corporation, shall be identified as either a Self-Clearing Member or a Clearing Member.

B. All references to the expression "Member" or "Members" hereinafter shall mean only those Members who have been permitted to participate in this segment as set out in Regulation 'A' above.

C. PROCESSING OF APPLICATIONS

a. Every such application received, in terms of Regulation A above, shall be submitted to the Approving Authority for consideration.

b. Clarifications and/or additional information sought by the Approving Authority shall be conveyed to the applicant. Such applications shall be processed only upon receipt of complete particulars called for by the Approving Authority.

c. Mere submission of completed application forms and/or additional information sought by the Approving Authority does not confer by itself automatic right for any applicant to claim Membership to Clearing Corporation.

d. Upon receipt of approval of the Approving Authority, Clearing Corporation shall communicate such approval to the applicant with a request to complete the other formalities outlined in these Regulations.

e. Every applicant, upon receipt of approval of Membership, intending to avail the services of the Forex Forward Segment through Clearing Corporation shall execute a set of

documents in such form and manner as may be prescribed by Clearing Corporation. Such execution shall be carried out by duly authorized signatory (ies).

f. By submitting the application, the applicant shall be deemed to have given consent to Clearing Corporation for disclosure of all or any information relating to Forex Forward transactions that are concluded by the applicant with counterparties which are branches of banks in other jurisdictions, to any Swap Data Repository or trade repository or Regulators, in India or other jurisdictions, to whom disclosures are required to be made to the extent required or permitted by applicable law.

D. CONSTITUENT

a. A Clearing Member would be entitled to clear Trades of its Constituents in terms of policies and procedures notified by Clearing Corporation from time to time.

b. Clearing Corporation shall allot each such Constituent a unique ID for the purpose of identification upon request received from Clearing Member providing requisite details and documents as prescribed by Clearing Corporation from time to time.

Provided however, where Clearing Corporation has already allotted a unique ID to a Constituent, the same shall hold good even if the said Constituent changes the Clearing Member at any point of time.

c. Clearing Corporation shall be entitled to rely on information received from a Clearing Member in relation to its constituents *(including such information regarding the segregation of positions and assets in such Clearing Member's Accounts).*

d. A Constituent may avail services of multiple Clearing Members of Clearing Corporation.

e. Clearing Member shall be responsible for all Constituent's Trades submitted by it.

f. All references to Member's Trades, positions, Margin Obligations, shortages, its replenishment and Default Fund contributions in these Regulations shall include both proprietary and Constituent Trades of all Members.

E. RESIGNATION FROM MEMBERSHIP:

1. A Member who:

i. is not a defaulter;

ii. has met all Margin calls including Margin calls on account of its Constituents;

iii. has replenished their Default Fund contributions in respect of calls made on or before the Resignation Request Date (*as defined later*); shall have the right to resign from Forex Forward Segment if it satisfies either of the following conditions:

a. If a Member has no outstanding Trade as accepted by Clearing Corporation (hereinafter referred to as "Outstanding Trades") for two previous months and Outstanding Trades if any of its Constituents have been ported to another Clearing Member.

b. If the Member has taken the loss through replenishment of its contribution to Forex Forward Segment Default Fund and the specified loss threshold as notified by Clearing Corporation from time to time in this respect has been reached.

Provided however that a Member seeking to resign under Regulation E (1) (a) may be granted exemption from the requirement of not having any Outstanding Trades accepted for Settlement in the previous two months;

- If such resignation is on account of its merger/amalgamation with or its acquisition by another entity which is a Member of Clearing Corporation in this Segment and the merged/amalgamated or acquiring entity has given an undertaking to Clearing Corporation stating its intention to take over all obligations of the resigning Member including its obligations towards the Default Fund arising out of the provisions of Chapter VII, 'Default Fund' of these Regulations.
- If an existing Member has applied to resign as a Member and avail the services of Clearing Corporation as a Constituent of a Clearing Member and the said Clearing Member has undertaken to take over all obligations of the resigning Member including the obligations of its Constituents and also its obligations towards the Default Fund arising out of the provisions of Chapter IX: 'Default Fund' of these Regulations.

2. A Member resigning under Regulation E(1)(a) shall have to give Notice in writing to Clearing Corporation clearly indicating its decision to resign from the Forex Forward Segment.

   The Notice shall be effective on the Resignation Request Date.

   Clearing Corporation shall promptly notify other Members of this Segment about the resignation request received. Such request for resignation under Regulation E(1)(a) shall be approved or rejected by the Managing Director of Clearing Corporation or by an official so authorised by the Managing Director within 2 business days from the Resignation Request Date. The resignation shall come into effect from such date of

approval by the Managing Director of Clearing Corporation or by an official so authorised by the Managing Director or in the absence of such approval or rejection, it shall be deemed approved at the end of 2 business days from the Resignation Request Date.

The resigning Member shall then be entitled to also receive any amount lying to the credit of its Default Fund account for this Segment after adjusting all dues owed by it to Clearing Corporation in terms of its Bye-laws, Rules & Regulations.

3. A Member desiring to resign under Regulation E (1)(b) above shall have to give Notice of 30 calendar days to Clearing Corporation in writing clearly indicating its decision to resign from the Forex Forward Segment.

Clearing Corporation shall promptly notify other Members of this Segment about the resignation request received.

3.1 The resigning Member shall then be required to:

a. Close-out all its Outstanding cleared Trades as of Resignation Request Date within such notice period as per the process of close-out for such Trades as notified from time to time by Clearing Corporation. Provided however, the resigning Member may opt to undertake Portfolio Transfer in accordance with the procedure specified in Chapter IV of these Regulations.

b. Where the Constituents of such resigning Member have Outstanding Trades as of Resignation Request date, the Clearing Member shall facilitate either a close out of such Trades or arrange for these Trades and the corresponding Margins to be Ported to another Clearing Member.

c. If the Member has not been able to Close-Out or undertake the Portfolio Transfer or port out the outstanding Trades and Margins of its Constituents within such notice period, the Member shall seek extension by another 30 calendar days from the Clearing Corporation for effecting the foregoing actions within the extended period. Provided however that, if in the opinion of Clearing Corporation, such request seeking extension is likely to disrupt the payment system or is prejudicial to the interest of the markets at large, such extension may be denied.

4. All request for resignation under Regulation E(1)(b) shall be approved by the Managing Director of Clearing Corporation or by an official so authorised by the Managing Director after the Member has closed-out all its Outstanding Trades of itself and its Constituents

or ported out the Outstanding Trades of its Constituents and Margins to another Clearing Member or undertaken the Portfolio Transfer, as the case may be within the specified 30 days notice period or within the extended period and upon the fulfillment of all the requirements under Regulation E(3.1). Such request for resignation may be rejected by the Managing Director of Clearing Corporation or by an official so authorized by the Managing Director in case the Member has not fulfilled any obligations or liabilities arising out of or incidental to any Trades under the Segment in terms of the Bye Laws, Rules and Regulations of Clearing Corporation. In the event of such rejection, the reasons for such rejection shall also be communicated to the Member. If said resignation is not rejected or if such approval is not given by the end of the day of the Member's closing out and/or Portfolio Transfer and/or Porting of all Outstanding Trades (including the closing out in terms of sub-Regulation E(3.1)(b), it shall be deemed approved at the end of such day. Such resignation shall however come into effect from the end of the day upon the acceptance by Clearing Corporation of the Portfolio Transfer and/or Porting and/or Trades generated out of the close-out process. The resigning Member shall thereupon be entitled to receive any amount lying to the credit of its Default Fund account for this Segment after adjusting for other dues to Clearing Corporation.

5. If the Member fails to close-out / effect a Portfolio Transfer/ Porting, as the case may be, in accordance with Regulation E (3.1) above, the resignation notice shall automatically become null and void.
6. The procedure as specified in Chapter IV- Rule 7-Resignation of CCIL Rules, shall not apply to the Member resigning as per the Regulation E of this Chapter.

CHAPTER III: MEMBER COMMON COLLATERAL/COLLATERAL

1. PURPOSE

1.1 In terms of Chapter VA of the Rules, Member(s) shall upon admission to this Segment make Margin contributions to MCC prior to Clearing Corporation accepting the Trades for Clearing and Settlement in this Segment.

1.2 Clearing Corporation may require every Member to contribute a minimum specified amount as Initial Margin to commence trading on Forex Dealing Segment of Clearcorp Dealing Systems (India) Limited.

2. COMPOSITION, ADMINISTRATION AND WITHDRAWAL OF MCC

2.1 The provisions of the Rules on the composition and/or administration and/or withdrawal of MCC, shall be applicable to Member(s) of this Segment:

2.2 In addition to the provisions of the Rules as applicable to this Segment, the provisions of these Regulations shall be applicable. Any changes to the composition and/or administration and/or 'withdrawal' may also be notified by Clearing Corporation from time to time.

3. INTEREST ON CASH CONTRIBUTIONS TO MCC

3.1 Members shall be entitled to receive interest at quarterly rests (i.e. at the end of every calendar quarter) on 'cash' provided under the MCC only to the extent of the cash utilized for Proprietary Trades and Constituent Trades respectively in this Segment, towards Margin requirement, in excess of minimum threshold cash Margin prescribed and notified by Clearing Corporation from time to time.

CHAPTER IV: PROCESSING OF FORWARD TRADES

A. ELIGIBLE TRADES

i. All Forward Trades between the Members of Forex Forward Segment received directly and that have the status as matched and with such residual maturity as notified by Clearing Corporation from time to time, are eligible for guaranteed Settlement. The matched Trades with maturity beyond the period so notified, shall become eligible for guaranteed Settlement when the residual maturity of the said Trades is equivalent or below the period specified under the Notification issued by Clearing Corporation in this regard.

ii. Trades received from the Forex Dealing system shall be eligible for guarantee from the point of matching of the Trade on the platform.

iii. All Trades, as notified by Clearing Corporation, reported by the Clearing Member on behalf of its Constituent that have the status as matched and residual maturity as notified by Clearing Corporation from time to time, are eligible for guarantee in the Forex Forward Segment.

B. ACCEPTANCE OF TRADES

i. Clearing Corporation shall receive details of Trades reported by Clearing Members for itself and /or on behalf of Constituents of Forex Forward Segment in a prescribed format over INFINET or any other form/manner as deemed fit and notified by Clearing Corporation.

ii. Clearing Corporation shall accept such Trades reported by the Member for Clearing and Settlement after subjecting these Trades to checks for adequacy of Margin for both counterparties in terms of Chapter VIII titled "Risk Management" of these Regulations;

iii. Trades reported by the Clearing Member on behalf of its Constituent shall be accepted for Clearing after subjecting these Trades to checks for adequacy of Margin for both counterparties in terms of Chapter VIII titled "Risk Management" of these Regulations;

iv. Forward Trades received from Forex Dealing System shall be subject to checks for adequacy of Margin for both counterparties to the Trade online on a post Trade basis. Trades once accepted shall be governed by the Rules set out in Chapter (IV) and (V) of these Regulations.

v. Eligible Trades reported by the Members and /or on behalf of its Constituent of Forex Forward Segment shall flow to the CCIL's Trade Repository (CCIL-TR) and Members

shall be deemed to have consented for themselves and on behalf of their Constituents to such flow of Trades.

C. VALIDATION AND MATCHING OF TRADES

The validation checks and criteria for matching of Trades reported by Members shall be the same as set out in the Forex Settlement Segment Regulations.

D. AMEND AND RESCIND OF INSTRUCTIONS

I. Members shall submit amend and rescind instructions, if any, up to three business days before the Settlement day (till S-3 day) prior to the cut-off time as notified in this regard by Clearing Corporation from time to time, failing which Clearing Corporation shall not be deemed liable for not having processed the said amendment or cancellation.

II. Amendments or Cancellations, if any, reported by the Members, after the original Trade has been matched but not yet taken up for exposure check shall be acted upon only if the amended or rescinded confirmation is received from both the parties to the Trade within the stipulated time limit for the purpose of reporting such amendments or cancellations, failing which Clearing Corporation shall proceed with the original matched Trade. Clearing Corporation shall accept such amended Trades reported by the Members for fresh verification of Exposure Check in respect of each individual Member as enumerated in the Chapter VIII titled "Risk Management" in these Regulations;

III. Amendments or Cancellations, if any, reported by the Members for an accepted Trade shall be acted upon only if the resultant position also passes exposure check, failing which Clearing Corporation shall proceed with the original Trade.

E. EXPOSURE CONTROLS AND ACCEPTANCE OF FORWARD TRADES FOR GUARANTEED SETTLEMENT

1.

a. All eligible forward Trades between the Clearing Members shall be subject to checks for adequacy of Margin for both counterparties to the Trade on a Trade by Trade basis. This process is henceforth referred to as 'Exposure Check'. Exposure Check shall be carried out online during the business hours as notified by Clearing Corporation. Trades which pass through Exposure Check shall be accepted for guaranteed Settlement by the Clearing Corporation. Novation shall take effect as and when Clearing Corporation accepts Trade for Settlement.

Trades which fail to pass through Exposure Check shall remain in queue and be eligible for consideration on a FIFO (First In First Out) basis. Exposure validation for such Trades shall be performed on a continuous and ongoing basis until the end of S-3 day. If a Trade fails to pass Exposure Check even at this stage, such a Trade shall stand rejected.

Trades accepted for Settlement shall be subject to risk exposure controls as set out in Chapter VIII of these regulations.

b. All Constituent Trades shall be subjected to Exposure Check in the Forex Forward Segment for adequacy of Margins on a Trade by Trade basis. Such Constituent Trades which pass through Exposure Check shall be guaranteed by Clearing Corporation. Constituent Trades which fail to pass through Exposure Check shall remain in queue and be eligible for consideration on a FIFO basis. Exposure validation for such Trades shall be performed on a continuous and ongoing basis. The cut-off for processing such Trades shall be notified by Clearing Corporation from time to time. If a Trade fails to pass Exposure Check within the cut-off time as notified above, shall stand rejected.

c. The Exposure Check of the forward Trades received from Forex Dealing System shall be on an on-line basis. The Margin amount as contributed by the Member before commencement of trading on Forex Dealing System shall be appropriated towards the Margin obligation required to be fulfilled by a Member in relation to the risk exposures on the matched deals on the Forex Dealing System or on the Trades reported directly by Members to Clearing Corporation in the order of time at which such Trades are received.
If the Margin amount contributed is inadequate, the collateral available in the MCC shall be blocked towards the balance Margin requirement.

2. Trades shall be subject to risk exposure controls as set out in Chapter VIII of these Regulations.
3. The process of checking adequacy of Margin shall be on an online basis or shall be run at such frequency as may be decided and notified by Clearing Corporation from time to time and Clearing Corporation shall indicate acceptance of such Trades for guaranteed Settlement only after this check.
4. Outstanding Proprietary Trades, accepted for Settlement for a Settlement day (S day) in the Forex Forward Segment shall be netted Member-wise two business days before the

Settlement day (i.e. S-2 day). The netted positions arising out of such forward Trades shall be subjected to exposure check on S-2 day in the Forex Settlement Segment.

5. All forward Trades once accepted for Settlement will be deemed to be transferred to the Forex Settlement Segment for Settlement. The Settlement of netted positions arising out of such forward Trades shall be governed by the Forex Settlement Regulations for the Settlement and Defaults, if any, and such Forex Settlement Regulations shall be deemed to have been incorporated in these Regulations to that extent.

   Provided however that Constituent Trades shall continue to remain in the Forex Forward Segment until the cut-off time as notified above.

F. SETTLEMENT OF FUNDS

The net obligation for each Clearing Member for Constituent Trades will be arrived at separately and is required to be bilaterally settled by the Clearing Member with these individual Constituents.

Clearing Member shall ensure that pay out of funds is made to the respective Constituent(s) on the relevant Settlement day.

G. Transfer of Trades

1. Clearing Corporation may, from time to time, facilitate the transfer of outstanding Forex Forward Trades of a Member or its Constituent by way of Portfolio Transfer and Porting respectively, in accordance with these Regulations.
2. Any Portfolio Transfer or Porting so permitted shall be as notified by the Clearing Corporation.
3. Transfer of outstanding Trades may be facilitated through the following modes:
   3.1. Portfolio Transfer (for Proprietary Trades)
      3.1.1. To enable transfer of outstanding Proprietary Trades of a Member to another Member; and/or
      3.1.2. To enable the transfer of outstanding Proprietary Trades from a Member to a Clearing Member as Constituent Trades i.e. to facilitate an existing Member, who is no longer desirous of continuing as a Member and consequently opts to avail the services of a Clearing Member as a Constituent, resulting in the existing Proprietary Trades of such Member being transferred to a Clearing Member and subsequently such transferred Trades being recognized as Constituent Trades by the Clearing Corporation.

3.2. Porting (for Constituent Trades): To enable transfer of Constituent Trades from one Clearing Member to another Clearing Member.

4. Application, Acceptance and Rejection of Transfer(s)

4.1. Application

A Member desirous of undertaking Portfolio Transfer or Porting may make an application in the form and manner specified by the Clearing Corporation.

4.2. Acceptance

In the event the application of a transferor Member fulfills the criteria prescribed herein, the application will be approved and the Clearing Corporation shall facilitate the Portfolio Transfer and/or Porting in accordance with the procedure notified for the purpose.

4.3. Application Deferred to a later date /Rejection of Application

4.3.1. Clearing Corporation may, at its discretion, defer/reject an application for Portfolio Transfer and/or Porting, if such Portfolio Transfer and/or Porting is prejudicial to the overall interest of the market or the payment system itself, if it deems such transfer inconsistent with applicable law or it is detrimental to the interests, reputation of Clearing Corporation or prejudicial or subversive to its objects and purposes.

4.3.2. The application may be deferred by such time as may be decided by the Clearing Corporation. Provided however that, if the period exceeds six (6) months, the application shall be deemed to be rejected and the Member seeking such Portfolio Transfer and/or Porting may reapply in accordance with this Chapter.

4.3.3. The Clearing Corporation shall reduce its reason(s) for rejection of an application in writing within five (5) business days from the date of such rejection.

5. Other Conditions

5.1. The transferor and transferee shall, both, be Member(s) of the Forex Forward Segment and shall be eligible to effect such transfer(s) and not be prohibited in any manner, whatsoever, from effecting such transfer(s) under the applicable laws and directions of the Regulator.

5.2. The transferee Member shall also be considered suitable as per the risk assessment parameters of the Clearing Corporation. Any decision of the Clearing Corporation, in this regard shall be final.

5.3. The application shall include a written consent from the transferee Member conveying unconditional acceptance of the Portfolio Transfer and/or Porting (as the case may be), including written consent to fulfill the Margins requirements, Default Fund requirements and such other requirement as may be prescribed for the purpose, by the Clearing Corporation.

5.4. The transferee Member:

5.4.1. shall be of good standing and shall not have been declared a Defaulter in the preceding three (3) years in any Segment(s).

5.4.2. shall not have any instance of shortage in the preceding six (6) months in any Segment.

5.4.3. has not been subject to suspension or any action initiated by the Clearing Corporation in the preceding twelve (12) months for violation of the Bye-Laws, Rules and Regulations.

6. Nothing contained herein shall preclude the Clearing Corporation from notifying any such additional conditions (including but not limited to any additional Margins and/or Default Fund) and such other procedures as may be necessary to effect the Portfolio Transfer and/or Porting of Forex Forward Trades from time to time.
7. The process and operational modalities for Portfolio Transfer and/or Porting shall be notified by the Clearing Corporation from time to time.
8. Clearing Corporation may, in its absolute discretion, also facilitate a special Portfolio Compression exercise in accordance with Chapter XII: Portfolio Compression to ease the process of transfer of Trades.
9. Nothing contained in this Chapter or the Bye-Laws, Rules and Regulations intends to or constitutes any right on the Member to seek the Portfolio Transfer and/or Porting, unless such 'Portfolio Transfer and/or Porting and the category(ies) of such transfer etc. are notified by the Clearing Corporation and the Member fulfills the requirements prescribed therein.

CHAPTER V: MARGINS

A. MARGIN REQUIREMENTS

1. Clearing Corporation shall prescribe requirements of Margins for the Forex Forward Trades to be cleared through Clearing Corporation and the Members shall furnish such Margins on their own account and on account of their Constituents as a condition precedent to acceptance of such Trades by Clearing Corporation for clearing.
2. Clearing Corporation may in addition to Margin, prescribe contributions towards the Default Fund as per the details set out in Chapter VII (C) of these Regulations.
3. Clearing Corporation shall make a Margin call if the Margin Obligation of a Member on their own account and on account of their Constituents reaches a specified percentage of the Margin made available towards MCC as notified by Clearing Corporation. Such specified percentage shall be termed as 'replenishment level'. If a Margin call is sent by Clearing Corporation, it shall be the responsibility of the Member to bring additional Margin thereafter so that the Margin requirements in the account of the Member as a percentage of Margin availability for this Segment is below the replenishment level.
4. Clearing Corporation shall however continue to accept Trades on account of such Member and on account of their Constituents till the Margin Obligation reaches a higher percentage, termed as 'rejection level'. After the Margin Obligation for a Member reaches rejection level, Clearing Corporation shall ordinarily not accept any further Trade of the Member till additional Margin is provided so as to bring the Margin requirement as a percentage of Margin availability for this Segment on account of that Member to lower than the replenishment level as described above. Clearing Corporation however may, accept Trades for clearing without any further reference to the Member even after the Margin availability for this Segment has breached the rejection level, if such acceptance is necessitated due to post Trade exposure check of Trades concluded on Forex Dealing system.

   In case of a breach of the rejection level for any Constituent(s), additional Margin to the extent of such breach shall be blocked from the Margin made available by the Clearing Member. Such Margin blocked from the Clearing Member will be released once such Margin shortfall is replenished.
5. Clearing Corporation shall notify the percentages set as replenishment level and rejection level. It may also, after duly notifying the Members, alter the percentages set as replenishment level or rejection level.

6. Clearing Corporation shall make Margin call for Margin Shortfall, if any, after re-computation of Margins at end of the day. On receipt of notice towards any such Margin Call, the Member shall arrange to provide additional amount in its MCC not later than on the next working day before the time notified by Clearing Corporation, so that the balance in MCC available as Margin is adequate to cover its Margin obligation (i.e. the Margin requirement as percentage of Margin available is within the Replenishment Level as described in Regulation A (3) above). In case of Margin Shortfall after re-computation of Margins at end of the day for a Constituent Trade, Clearing Corporation shall meet the Margin Shortfall by blocking the Margins furnished by the Clearing Member on its own account.

B. MARGIN COMPONENTS

The Margins to be provided by the Members shall comprise of:

1. Initial Margin

Initial Margin constitutes the Margin obligation required to be fulfilled by a Member as its contribution to MCC in relation to risk exposure on the Outstanding Trades accepted for Clearing and Settlement by Clearing Corporation in respect of that Member and for its Constituents; Such risk exposure shall be based on Value at Risk for the portfolio of Outstanding Trade positions as arrived at by the Clearing Corporation in terms of the process as notified from time to time.

Initial Margin shall also include as additional amount towards spread Margin in order to effect a partial disallowance of the full offset between net USD Buy and net USD Sale positions provided through portfolio margining. Spread Margin shall be computed as per the process notified by Clearing Corporation for time to time.

Clearing Corporation may, however, set a minimum Margin requirement as notified by it from time to time.

Clearing Corporation may collect a higher Initial Margin on the portfolio of the Constituents.

Initial Margin shall be arrived at separately for each Clearing Member and for each of its Constituents and no offsets shall be permitted between the Proprietary Trades and Trades of Constituents or between Trades of two Constituents'.

2. Mark to Market Margin

Mark to Market ("MTM") Margin constitutes the Margin Obligation required to be fulfilled by Clearing Member for itself and its Constituents in relation to adverse price movements arising out of the daily marking to market exercise (outlined in Chapter relating to "Risk Management" in these Regulations) on Outstanding Trades accepted for Clearing and Settlement by Clearing Corporation.

In case of high volatility, Clearing Corporation shall also collect MTM margin on intra-day basis from the Members based on a process as notified by Clearing Corporation from time to time

MTM Margin shall be arrived at separately for each Clearing Member for itself and for each of its Constituents and no offsets shall be permitted between the Proprietary Trades and Trades of Constituents or between Trades of two Constituents.

3. Volatility Margin

Volatility Margin comprises of the Margin Obligation required to be fulfilled by a Member for itself and its Constituents in relation to sudden increase in volatility in exchange or interest rates. The Members shall be notified by Clearing Corporation prior to the collection and/or maintenance of Volatility Margin.

4 Concentration Margin

Concentration Margin constitutes the Margin obligation required to be fulfilled by a Member for itself and/or its Constituents in relation to their respective outstanding exposure for a Settlement Date or for a number of Settlement Dates, beyond pre-determined limit(s). Clearing Corporation shall have the right to stipulate such Margin from any future date after due notification to its Members.

5 Stress Loss Margin

Stress Loss Margin constitutes the Margin obligation required to be fulfilled by a Member if the Stress Loss on the outstanding Trades of a Member and/ or its Constituents exceeds a certain threshold as may be notified by the Clearing Corporation from time to time. The process followed for imposition of Stress Loss Margin shall be as notified by Clearing Corporation from time to time.

C. SUSPENSION ON FAILURE TO PAY MARGIN

1. Notwithstanding anything contained elsewhere in these Regulations:-

a. If a Member fails to replenish its Margin Obligation or the Margin Obligations of its Constituents after the Rejection Level as stipulated under Regulation (A)(4) of Chapter V is reached, Clearing Corporation shall be entitled to temporarily suspend the Membership rights of such a Member and its Constituents as per the provisions set out in Bye-Law 3 of the Chapter XIII of the Bye-Laws;

b. If a Member fails to fulfill its Margin obligation before the time notified for the purpose, Clearing Corporation shall be entitled to suspend the rights of the Member and its Constituent(s) from trading on the forward instruments on the Forex Dealing System. The trading rights shall be restored on the Members/Constituents meeting the Margin obligation to the satisfaction of Clearing Corporation.

2. A Member shall be liable to pay penalty on the Margin shortfall, for the period of delay in fulfilling its Margin Obligations, as per the rates notified by Clearing Corporation from time to time. Clearing Corporation may vary, from time to time, the rate of penalty applicable for a Margin Default, subject to issuance of advance notice. While computing such penalty, only business days may be reckoned provided such penalty and Margin Shortfall is replenished by the defaulting Member on the next business day. However, in the event of failure by a Member to honour its obligation on the next business day, as above, the actual number of days including intervening holidays, Sunday and non-business days shall be reckoned for calculation of penalty amount.

3. The Membership of a Member who has been subjected to temporary suspension due to non-fulfillment of Margin obligation shall automatically come up for review; Clearing Corporation may reinstate a suspended Member upon a review of its action in fulfillment of its Margin obligations and interest/other charges due to Clearing Corporation.

CHAPTER VI: DEFAULTS

A. DECLARATION OF DEFAULT

a. Member shall be treated as a defaulter *("Defaulter")* in this Segment:

b. If it fails to replenish Margin after its utilization has exceeded 100% of the Margins made available in the MCC for meeting Margin requirements within the specified cut-off time.

c. 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.

d. If it is unable to pay within the specified time, damages and the money difference due to a close-out effected against it under the Bye-laws, Rules and Regulations.

d. If it fails to replenish the Default Fund contribution in terms of Regulations J(i) and J(ii) of Chapter VII of these Regulations;

e. Due to any other circumstances as set out in the Bye -laws, Rules and Regulations.

f. 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 MCC contributions, without declaring such Member as a Defaulter.

B. DEFAULT MANAGEMENT COMMITTEE

1. CCIL may establish a Default Management Committee (DMC) comprising representatives nominated by selected Members of the Segment for advising/assisting the Clearing Corporation in administration/management/ handling of Default by a Member. The role of DMC shall be to advise and assist the Clearing Corporation on various aspects of Default management process, primarily in the areas of:
   a. Risk neutralization of Defaulter's Portfolio.
   b. Creating buckets out of the Defaulter's hedged/ un-hedged Portfolio, as the case may be.
   c. Setting reserve price for Auction of Portfolio Buckets.
   d. Assisting in carrying out market sale/ Auction of Portfolio Buckets as required.
   e. Assisting in allocation of position/ Trade.

2. Any other incidental matter(s) in connection with the above as may be brought before the DMC by the Clearing Corporation.
3. Provisions pertaining to the constitution of the DMC, rights and obligations, meetings and proceedings of the DMC have been prescribed in Chapter XIII of these Regulations.

C. MULTIPLE DEFAULTS IN THE SAME DEFAULT MANAGEMENT PERIOD

If during an ongoing Default Management Period, the Clearing Corporation declares some other Member also as a defaulter, then such multiple Members' Defaults shall be processed in the same Default Management Period.

D. DEFAULT HANDLING PROCEDURE

1. The Clearing Corporation shall on declaration of default resort to transferring the defaulting Member's Proprietary positions to one or more non-defaulting Members by way of a sale (including an auction) or through an allocation mechanism as mentioned in sub-Regulation D 4(e) below.

2. Risk neutralisation of the Defaulter's Portfolio:

a. The Clearing Corporation with the assistance of the DMC may reduce as much as is possible and reasonable, the market risk of the positions of the defaulting Member by executing Hedge Trades.

b. For this purpose, the Clearing Corporation may, with the assistance of the DMC enter into new transactions with non-defaulting Members in order to hedge the Defaulter's Portfolio. Such transactions may be concluded on trading platforms operated by Clearcorp or in accordance with separate arrangements between the Clearing Corporation and other Members of the Segment.

c. The hedge transactions shall be considered as part of the Defaulter's Portfolio with respect to the further processes undertaken in accordance with the Default management process.

d. The Clearing Corporation may, in consultation with the DMC, in certain cases decide not to carry out such hedge transactions where it is reasonably felt that the cost and time involved may be detrimental to the successful conclusion of the Default Handling Process.

3. The Clearing Corporation may, in consultation with the DMC, decide to split the Defaulter's Portfolio which shall include the Hedge Trades done in terms of Regulation

D(2)(b) above into Multiple Buckets with the aim of enhancing the efficiency of the Auction Process. The process of splitting the Defaulter's Portfolio may be done either before or along with or after the process of hedging of the Defaulter's Portfolio. Each such split portfolio shall be referred to as an Auction Pool/ Bucket.

4. Restoration of the Matched Book

a. On declaration of a default in terms of Regulation A above, if the Clearing Corporation determines that in respect of the Trades cleared by the Clearing Corporation, it is exposed to the risk that its obligations to some Members will not be matched by corresponding obligations by remaining Members to it, then the Clearing Corporation shall be deemed to be having an unmatched book and shall be required to take any or all of the steps listed in sub-Regulations (b) to (e) below.

b. The Clearing Corporation, in consultation with the DMC, may transfer the defaulter's positions including the hedge transactions to one / more non-defaulting Members at a price acceptable to the Clearing Corporation or / and at prices arrived by conducting one or more Auctions.

c. An Auction in terms of sub-Regulation (b) above shall be for the entire Defaulter's Portfolio or for various Auction Pools and may involve multiple Auction rounds. The Clearing Corporation in consultation with the DMC shall determine the Reserve Price, acceptable to it for the entire portfolio of the Defaulter or Reserve Price in respect of each Auction Pool.

d. The Clearing Corporation shall conduct a Single unit Auction or Multi-Unit Discriminatory Price Auction, in such mode as prescribed by the Clearing Corporation. Clearing Corporation may permit a Clearing Member (other than the defaulter Clearing Member) to submit bids on account of its Constituent. The details of the auction scheme shall be as notified by the Clearing Corporation from time to time.

e. In case, the Clearing Corporation is not able to restore a Matched Book by the above process, it may then, in consultation with the DMC, use one or both of the following measures for restoration of the Matched Book:

   i. Allocation of positions to any non-defaulting Member(s)/ its Constituents regardless of whether such Member(s)/its Constituents has (have) positions opposite or related to those in the Auction Pool(s).

   ii. Tear-Up of Trades of non-defaulting Members/ its Constituents who hold positions opposite to those in the Auction Pool(s).

The price at which positions are torn up or allocated will be determined by CCIL in consultation with the DMC. Such allocation of defaulter's position or/ and tear up of non-defaulters' portfolio shall be carried out in accordance with the procedures as notified by the Clearing Corporation from time to time.

The Clearing Corporation may permit to Port the Trades and associated Margins of the Constituents of the defaulting Clearing Member to another Clearing Member(s). The time period allowed for Porting will be notified by Clearing Corporation. Till such time the Constituent Trades are ported to a new Clearing Member, such constituents shall be treated as an "Interim- Self Clearing Member" for the purpose of completion of Settlement of transactions and smooth completion of Porting. Only by virtue of being treated as Self- Clearing Member under these Regulations, the Constituents are not entitled to any other rights and privileges that are entitled to a Self Clearing Member. In any case the Porting shall be completed within a month from the date of making an application to the new Clearing Member, on the expiry if which the "interim Self-Clearing Member" status granted to Constituents under these regulations shall be deemed to have ceased. Provided however, that, the interim Self Clearing Member during such notified interim period shall be subject to the provisions of Chapter VII, "Default Fund" of these Regulations and shall be required to contribute to the Default Fund such amount as may be advised by Clearing Corporation.

f. If the Clearing Corporation is not able to successfully port all the Trades and associated Margins of one or more Constituents of the Clearing Member in the time period notified for porting, then in that case Clearing Corporation will establish a matched book in accordance with the procedures as notified by the Clearing Corporation from time to time.

5. **Assessment Calls**

a. In terms of Regulation J (iii) of Chapter VII of these Regulations, if the losses incurred by the Clearing Corporation in the restoration of the Matched Book following a Member Default exceed that of the total available Pre-Funded Default Handling Resources, the Clearing Corporation shall make Assessment Calls for replenishment of Default Fund to the non-defaulting Members of this Segment.

b. The Clearing Corporation shall make such Assessment Calls on one or more occasions during the Default handling period based on its assessment of the resources required for Default management.
c. The Assessment Calls shall be made to non-defaulting Members in proportion to their respective Default Fund contribution requirements at the time of handling such Default and the same have to be met only in cash.
d. Inability of a Member to meet the Assessment Calls shall be deemed to be an action preventing the Clearing Corporation from returning to the Matched Book and shall result in the Clearing Corporation initiating appropriate actions against such Member, which could include allocation of portions of Defaulter's Portfolio, or tearing up its portfolio, partly or completely, and appropriating its Margin resources.

6. **Appropriation of Losses**

Following the restoration of the Matched Book, the Clearing Corporation shall determine the total losses resulting from the Default Handling Process. These losses may include the losses on the non-ported portfolio of the Constituents of the defaulting Clearing Member. In the event Defaulter's Portfolio was split into Multiple Auction Pools/Buckets, then the resources shall be allocated to each bucket in proportion to the losses in the Buckets. The losses corresponding to each Auction Pool/Bucket shall be appropriated in the order mentioned in Regulation I(i) of Chapter VII of these Regulations. Where losses are required to be appropriated from the Default Fund contributions of non-defaulting Members in terms of Regulation I(i)(d) of Chapter VII of these regulations, then such appropriation will be in accordance with the Juniorisation scheme as notified by Clearing Corporation from time to time.

Provided, however, if losses are required to be appropriated from the Default Fund contribution of non-defaulting Members in terms of Regulation I(i)(f) of Chapter VII of these Regulations, then such appropriation will be done in proportion to their required contributions to the Default Fund at the time of handling such Default.

7. **Settlement of obligations arising out of Auction(s) or allocation(s) in terms of Regulations D(4)(b) and D(4)(e)**

a. Non-defaulting Members/its Constituents who seek to bid for Auction Pool(s) shall be required to prefund their bidding value. In case of Constituents; however, such prefunding should be done through their Clearing Members,

b. Where the restoration of the Matched Book results in non-defaulting Members/their Constituents having a Margin payable, such Members/their Constituents shall be required to make available for themselves and on account of their Constituents the requisite Margins before receiving the funds pay out. In the event of a shortfall in Margin account, the Clearing Corporation shall deduct such shortfall amount from the funds payable to the Member/its Constituents and credit the same to its Margin account.

c. Where the funds payable to a Member/its Constituents is less than the Margin shortfall and the Member/its Constituent is unable to meet the Margin shortfall within such time as may be notified by the Clearing Corporation, the Clearing Corporation shall withhold the entire amount payable to such Member/its Constituents. In addition the Clearing Corporation shall also have the right to tear up such Member's /its Constituents portfolio along with the allocated portion of Defaulter's Portfolio.

8. **Booking of contracts in the non-defaulters' names**

a. The Clearing Corporation shall book in the name of the respective non defaulting Members/ its Constituents the contracts won by them in the Auctions / allocated to them in terms of Regulation D(4)(b) and D(4)(e) above with effect from a date which shall be intimated to such Members/its Constituents. Such new contracts shall also be immediately reflected in the trade repository run by the Clearing Corporation.

b. The resultant increase in Settlement, Margin and Default Fund obligations shall be assumed by such non-defaulter Members from the date of the booking of these contracts.

9. **Return of excess Margin to Constituents**

Clearing Corporation shall assess the utilization of the Margins posted on account of the Constituents after porting and/or close-out of the Constituent's Trades. The unutilized Margins from the Margins posted by the Constituent with the Clearing Member will be returned by the Clearing Corporation to the Constituents at the end of the Default Management Period.

If Clearing Corporation resorts to the provisions of this sub -Regulation, the defaulter Member shall also be liable to pay charges and penalties as notified by Clearing Corporation from time to time.

E. MEMBERS DUTY TO INFORM

a. The Clearing Member shall forthwith inform the Clearing Corporation if:

i. The Constituent has failed to provide the Margin requested by its Clearing Member: or

ii. an event of Default has occurred in respect of the Constituent under the terms of the Agreement between the Clearing Member and the Constituent

b. The Clearing Corporation shall on receipt of the intimation from the Clearing Member in terms of Regulation E(a) above, treat the Outstanding Trades of the Constituent submitted for clearing through the concerned Clearing Member as the Outstanding Trades of the said Clearing Member. These Trades shall then be included in the portfolio of Outstanding Trades of the Clearing Member for the purposes of margining. No further Trades for such Constituent shall be accepted by Clearing Member.

c. On receipt of the intimation from the Clearing Member in terms of Regulation E(a), the Clearing Corporation shall advise this information to all other Clearing Members whose services are being availed by the said Constituent.

d. Clearing Corporation may, after advice to the Clearing Member stop accepting Trades for a Constituent based on information available with it on the ratings/gradings assigned to the Constituent by rating agencies and / or on the basis of certain financial parameters including net worth, asset quality etc.

F. DEFAULT OF CLEARING CORPORATION

1. In the event the Clearing Corporation fails to fulfill any Settlement related obligation to any non defaulting counterparty, even after the expiry of 30 (thirty) business days from the date of the payment/delivery falling due and an intimation being sent by the counterparty in this regard to the Clearing Corporation or in the event RBI cancels CCIL's Payment System license or issues a notice for such cancellation thereto, a non-defaulting counterparty may, by notice in writing to the Clearing Corporation not later than 07 (seven) business days from such event, seek the termination and close-out of its Outstanding Trades in this Segment.
2. The Clearing Corporation shall, not later than 02 (two) business days from the date of receipt of such notice and after due notification to all Members of this Segment: (a) effect close-out of Outstanding Trades of such Member and its Constituents or (b) close out all Outstanding Trades in the Segment.

Such close out shall be at a pre-determined price as may be notified by the Clearing Corporation from time to time and post such close out, the Clearing Corporation shall determine the Member-wise net mark-to-market loss or gain (as the case may be) in respect of the Trades. The net mark to market loss or gain so arrived at shall constitute the termination amount for each Member. The termination amount shall be settled by payment to the Member, in case of Member's gain, or by receipt from the Member, in case of Member's loss.

3. The termination amount shall be settled by the close of business on the business day following the day of termination or as soon as possible thereafter. Any non-recovery of termination amount from any of the Member within this period will be considered as a Default by the Member and shall be handled in terms of provisions of Chapter VI Default & Chapter VII Default Fund of these Regulations.
4. Before paying out any amount under this Regulation, the Clearing Corporation shall have the right to recover there from any amount payable by the Member to the Clearing Corporation.
5. The close-out transactions shall be final and binding upon the Members.

CHAPTER VII: DEFAULT FUND

A. PURPOSE

i. Clearing Corporation shall maintain a dedicated Default Fund in respect of its Forex Forwards Segment. with a view to meeting losses arising out of any Default by its Members as set out in this Chapter.

ii. Default Fund shall be utilized for such purposes as may be provided for in its Bye-Laws, Rules and Regulations.

B. CORPUS

i. The size of such Default Fund shall be determined by the Clearing Corporation on the basis of stress tests which shall be conducted in a manner as notified by Clearing Corporation from time to time.

ii. The size of the Default Fund shall be determined at such intervals as may be notified by Clearing Corporation from time to time. Clearing Corporation shall however also be entitled to re-size the Default Fund before its scheduled periodic re-sizing based on a process as notified by Clearing Corporation from time to time.

iii. Provided however that Clearing Corporation shall have the right to change the frequency of such stress tests as also the size of the corpus after due notification to the Members.

C. CONTRIBUTIONS

i. A Member's contribution to the Default Fund as in Regulation "B" above shall be determined in a manner as may be notified by Clearing Corporation from time to time.

ii. Each Member shall deposit towards Default Fund such sum as shall be notified by Clearing Corporation from time to time.

iii. The minimum contribution of a Member to the Default Fund shall be as notified by Clearing Corporation from time to time.

iv. Where a Member has resigned on account of its merger/amalgamation with or its acquisition by another Member, then the Default Fund contribution of the merged/acquiring entity will stand increased by the amount of Default Fund contribution attributed to the Member that is being merged or acquired, till the next re-computation of the Default Fund.

v. Where an existing Member of Clearing Corporation resigns from membership of the Clearing Corporation and joins as Constituent of another Clearing Member, the Default Fund contribution of such Clearing Member will stand increased by the amount of Default Fund contribution of the resigning entity, till the next re-computation of the Default Fund.

D. COMPOSITION

i. Default Fund shall be formed with contributions from Members in the form of cash and/or eligible Government Securities.

ii. Clearing Corporation shall specify the minimum percentage of contribution in the form of cash from time to time after due notification;

Provided however that during a Default Management Period, if any replenishment of the Default fund in terms of the provisions of Regulation J(iv) of this Chapter is required, such replenishment shall be made only in cash;

iii. Members will be permitted to maintain their Default Fund collateral composition ratio in terms of Regulation D (ii) above, after the completion of Default Management Period has been advised to Members by the Clearing Corporation.

iv. Clearing Corporation shall notify the eligible securities for contribution to Default Fund. Securities declared as ineligible for Default Fund contribution shall not be reckoned as Default Fund contribution of such Member.

v. Clearing Corporation may notify from time to time the maximum amount of a single security or group of securities that a Member and/ or all Members together may deposit by way of contribution to Default Fund and/or have securities concentration thresholds beyond which hair cut rates of securities deposited as collateral may be increased.

vi. A Member shall at all times ensure that its contributions to Default Fund are adequate to cover its share as per Regulation (C) above.

vii. Cash contributions to Default Fund shall be in multiples of Rs.1 lac or such other amount as may be prescribed by Clearing Corporation.

E. ADMINISTRATION

i. Clearing Corporation shall administer investment and utilization of cash deposited by Members towards Default Fund as per Regulation "F" of this Chapter;

ii. Clearing Corporation shall be authorized to invest the cash contributions received from Members in accordance with the investment policy of Clearing Corporation.

iii. The contributions made by Members to Default Fund in the form of securities shall be held in a CSGL Account of Clearing Corporation with RBI. The RBI Rules and Regulations governing CSGL Accounts and such other instructions as are issued by RBI in this regard shall be applicable to this account and the said RBI Rules and Regulations and instructions shall accordingly govern all contributions by Members to Default Fund in the form of securities.

iv. Clearing Corporation shall have the right to utilize any of the securities contributed to Default Fund by any Member and held in the CSGL Account referred to in sub–Regulation (iii) above and as Regulation "F" of this Chapter in such sequence of application as may be determined by Clearing Corporation to be appropriate.

Provided however, that a shortfall, if any, in the Default Fund account of a Member at the end of the day shall be covered by Clearing Corporation in the following order:

a. First by blocking surplus balance, if any, available in any other Default Fund account of the Member with Clearing Corporation
b. If surplus balance is not available in (a) above, then by blocking the surplus balances if any, in the MCC of such Member. No interest shall however be paid for such cash utilization towards Default Fund.

v. Such utilization of excess Collateral blocked as in (iv) above will be released as soon as the deficit in the Default Fund account is replenished by the Member by depositing additional Collateral.

F. RECEIPTS AND DELIVERIES OF THE MEMBERS' CONTRIBUTION TO DEFAULT FUND

i. The contribution of Members to the Default Fund shall be recomputed at the end of each month or at such intervals as specified in Regulation 'B' above.

ii. A Member shall be required to contribute to Default Fund upon notice received from Clearing Corporation within such time as may be notified by Clearing Corporation from time to time from the date of such notice.

iii. Members shall arrange to deposit their contributions to Default Fund as per work flow process notified by Clearing Corporation from time to time for deposit of cash and securities.

iv. Members shall submit their cash and securities withdrawal request from Default Fund contributions as per the work flow process notified by Clearing Corporation from time to time.

v. Members shall be entitled to receive credit for deposits of securities into Default Fund upon receipt of confirmation from Reserve Bank of India (RBI) that the securities have been credited into the CSGL account of Clearing Corporation.

vi. Members shall be entitled to receive credits for their cash deposits into Default Fund upon receipt of confirmation from RBI and/or Settlement Bank of credits into the RTGS Settlement/Current account of Clearing Corporation.

vii. Members shall be entitled to withdraw securities from their contributions to Default Fund by giving prior notice as notified by Clearing Corporation from time to time in the format prescribed for the purpose. Provided that if such notice for withdrawal is received in respect of a security at a time when it would be falling into Shut Period and rendering such delivery impossible, then such notice shall be considered to be invalid.

viii. Withdrawal of Securities by Members shall be permitted only if the Member continues to maintain the balance required after such withdrawal or upon resignation by a Member from the Segment as set out in Regulations E (2) and E (4) of Chapter II of this Regulation.

ix. Members shall be entitled to substitute securities deposited as contribution to Default Fund by giving prior notice as notified by Clearing Corporation from time to time in the format prescribed for the purpose. Substitution of securities shall be permitted only if the Member continues to maintain the balance required after such substitution. Such notice of substitution shall be through two independent processes, one for deposit of a security and the other for withdrawal of a security, as per the work flow process notified by Clearing Corporation from time to time for deposit and withdrawal of securities.

x. Provided that if such notice for substitution is received in respect of such securities as are falling into Shut Period and rendering such substitution impossible, then such notice shall be invalid.

xi. At the time of making requests for substitution, Members shall ensure that the security offered for replacement forms part of the securities eligible for contribution to Default Fund.

xii. Withdrawal of cash contributions by Members shall be permitted only if the Member continues to maintain the balance required after such withdrawal or upon resignation

by a Member from the Segment as set out in Regulations E(2) and E(4) of Chapter II of these Regulations.

xiii. Withdrawal of cash contributions by Members shall be with prior notice as notified by Clearing Corporation from time to time in the format prescribed for the purpose.

G. INTEREST ON CONTRIBUTIONS TO DEFAULT FUND

i. Periodical interest receivable by the Members on their securities contributed to Default Fund shall be received by Clearing Corporation for and on behalf of the Members in the manner and mode prescribed by RBI in respect of CSGL Accounts.

ii. Interest received by Clearing Corporation shall be subsequently transmitted to the Members at the earliest. Clearing Corporation shall not be responsible for any delay in receipt of interest by Members and no claim shall rest with Clearing Corporation on this account.

iii. Clearing Corporation shall not be responsible for servicing corporate actions on such securities held by Members in its Default Fund which have been declared through appropriate notification as ineligible for Default Fund contribution.

iv. Members shall monitor their securities contributions to Default Fund to ensure that the securities falling due for redemption are withdrawn from Default Fund well in advance before the redemption date and substituted by eligible securities of equivalent value. In the event of their failing to do so, redemption proceeds receivable by the Members on such securities shall be received by Clearing Corporation for and on behalf of the Members in the manner and mode prescribed by RBI in respect of CSGL Accounts.

v. Redemption proceeds received by Clearing Corporation shall be treated as cash contribution to Default Fund.

vi. Clearing Corporation may compensate Members by offering them interest payments at quarterly rests (at the end of every quarter) on their average cash contributions during the relative period at a rate notified by Clearing Corporation from time to time.

H. VALUATION OF SECURITIES IN DEFAULT FUND

i. The securities contributed by Members to Default Fund shall be subjected to a valuation exercise on each valuation day. Clearing Corporation shall carry out valuation daily or at such frequencies as may be notified by Clearing Corporation from time to time. Clearing Corporation shall be entitled, to change the frequency of such valuation after due notification to the Members;

ii. The valuation of Default Fund securities shall be carried out using the latest available mark to market price as applicable for such securities in Securities Segment of Clearing Corporation

iii. Clearing Corporation shall notify, from time to time haircuts on the respective market values as per rates prescribed for the eligible securities from time to time. Such hair cut rates may be temporarily increased on imposition of volatility Margin;

iv. Member's contributions to Default Fund shall be subjected to a valuation exercise at every instance of securities deposit and/or withdrawal from its Default Fund or at the end of the business day at the relevant mark to market prices;

v. Members shall be required to contribute such additional sums to the Default Fund as may be necessary if the value of the securities net of haircuts falls below a threshold level that is notified by Clearing Corporation from time to time.

I. UTILISATION

i. Where a Member is declared as defaulter in terms of Chapter VI the losses as a result of such Default shall be met by Clearing Corporation by recourse to funds in the following order:

   a. first, by appropriation of the Margin contribution of the defaulting Member including surplus Margin contributed in any Segment;

   b. next, by applying set-off from defaulter's own contribution to Default Fund. Any residual loss after applying such set off shall be further set off against excess contribution of the defaulter entity in any other Default Fund account with the Clearing Corporation. Such set off will be subject to the Regulations of the Segment in which such excess contribution is identified.

   c. next, by allocation from Clearing Corporation's Settlement Reserve Fund, an amount notified by Clearing Corporation as the first tranche for allocation at the time of arriving at the corpus of Default Fund in terms of Regulation B of this Chapter;

   d. next, by allocation of the residual loss to the Default Fund accounts of non-defaulting Members in proportion of their required contributions to the Default Fund at the time of handling such Default or if an auction has been conducted, then as per the Juniorisation scheme established for each Auction Pool in terms of the provisions of Regulation D(6) of Chapter VI.

The amount allocated to the non-defaulting Members shall be recovered from such Members in the form of cash contribution, or by sale of securities contributed by such Members to the Default Fund under advice to them. The price at which such security/securities is/are sold will be binding on the Members

e. and next by allocation from Clearing Corporation's Settlement Reserve Fund, an amount notified by Clearing Corporation as the second tranche for allocation, at the time of arriving at the corpus of Default Fund in terms of Regulation B of this Chapter;

f. and then by allocation of the residual loss to Default Fund account of non-defaulting Members after replenishment of the balances in these accounts in proportion of their required contributions to the Default Fund at the time of handling such Default.

ii. If the contribution to Default Fund has been made in the form of securities by the defaulter and the securities are required to be sold for appropriation, Clearing Corporation may sell those securities through NDS-OM and / or offer such securities for sale first to the non-defaulting Members of the Segment and/ or in any manner determined by the Clearing Corporation. Based on the quotes received from such Members, Clearing Corporation may offer the security to the highest bidder and such sale shall be binding on Members.

iii. If there is more than one Default in a day, Defaults shall, subject to Clearing Corporation not having commenced any action on any such Defaults, be handled by Clearing Corporation in descending order of the estimated size of shortfall. In case Clearing Corporation has commenced any action on any such Default, such Default shall not be considered for the descending order priority.

iv. If there is any allocation of residual loss to the Default Fund account of other Members (i.e. non-defaulter Members) in terms of i(d) and i(f) above, Clearing Corporation shall notify the total amount of such allocation on each such occasion. Clearing Corporation shall also notify the cumulative amount of such usage in the past one year period ending on such date.

v. Clearing Corporation, may as per the process duly notified in this regard, treat the collateral available in Members' Default Fund account in excess of its required contributions, as the collateral deemed to be made available by such Member towards meeting a deficit in the balance in any other Default Fund account. Such amount would

continue to remain blocked towards the said Default Fund account till the Member has replenished the Shortfall in the other Default Fund accounts with Clearing Corporation.

vi. Moreover, if a Member is declared defaulter in another Segment and/ or has filed for insolvency under relevant laws and/ or is declared insolvent by a competent authority, Clearing Corporation shall be entitled to treat the collateral available in a Members' Default Fund account in excess of its required contributions as being made available by the Member towards the Default Fund accounts of such other Segments.

vii. The action of Clearing Corporation as per the above process shall be final and binding on all Members.

viii. The above course of action shall be without prejudice to any other rights of Clearing Corporation against the defaulter.

J. REPLENISHMENT

i. Members shall be required to contribute to the Default Fund such sums as notified by Clearing Corporation on every revaluation/ resizing of the Default Fund, in terms of Regulation 'B' above of this Chapter; Shortfall, if any, in the Default Fund contribution of a Member after such revaluation/re-sizing shall have to be replenished within such time period as may be notified by Clearing Corporation from time to time.

ii. During the Default Management Period, if a Member's contribution to the Default Fund has been utilized to meet the loss on account of Default handling, the Member shall be required to replenish its contribution to the Default Fund, within such time period as may be notified by Clearing Corporation from time to time;

iii. During the Default Management Period, if an additional contribution to the Default Fund is sought by Clearing Corporation in terms of Regulation I (i)(f) above, the Member shall be required to deposit such additional sums and bring the balance in its Default Fund account at par with its required contribution to the Default Fund in terms of Regulation C(ii) above of this Chapter.

iv. Default Fund replenishment calls made by the Clearing Corporation under the circumstances mentioned in Regulation J(iii) above shall be termed as Assessment Calls and Default Fund replenishment in response to Assessment Calls shall be only in cash. Members shall be required to meet Assessment Calls within such time period as may be advised by Clearing Corporation during the particular Default Management Period.

v. In the event of failure of a Member to contribute to Default Fund within the time period specified as per Regulations J(i), J(ii) and J(iv) above of this Chapter, Clearing Corporation

shall treat such failure in terms of Chapter VI of these Regulations and the Member shall be liable for the consequential action thereon as specified in Chapter VI of these Regulations.

vi. The maximum contribution of a Member towards replenishment of its contribution to Default Fund for the Forex Forward Segment in the 30 days' period immediately after the loss threshold as referred in Regulation E1 (iii)(b) of Chapter II of these Regulations having been reached, and the Member having resigned shall not exceed 5 times of its contribution to Default Fund based on last re-computation of Default Fund contribution of the Members carried out as per the process described in Regulation B(ii) above of this Chapter , subject to a monetary ceiling notified by Clearing Corporation. A Member shall not be obligated to contribute any amount in excess of the monetary ceiling during the aforementioned period of 30 days.

vii. The amounts mentioned in (vi) above as maximum contribution for a Member and the threshold as referred in Chapter II Regulation E1(b) of these Regulations shall be reviewed periodically by Clearing Corporation based on market size, volatility etc. Any change in any of the ceilings as above or in the threshold as stated above due to such review shall be effected after giving a notice of 90 days to the Members.

K. RECOVERIES FROM THE DEFAULTER

i. Any recovery from the defaulting Member, after adjusting for charges/ penalties/ and any other incidental or consequential expenses shall be accounted for by Clearing Corporation in the following order:

   a. First to non-defaulting Members' Default Fund contributions utilised as part of the Assessment Calls in terms of Regulation J(iii) above. If the amount recovered from the defaulter is less than that utilized from the Assessment Calls, then such amount shall be returned to the non-defaulting Members in proportion to the amount utilized.

   b. Next, by apportioning to the second tranche of Clearing Corporation allocated from its Settlement Reserve Fund, but not exceeding the amount originally appropriated from this tranche.

   c. Next, by apportioning to the pre-funded Default Fund contributions of the non-defaulting Members to the extent utilized. If the residual amount recovered is less than the total utilized pre-funded Default Fund contribution of the non-defaulting Members across all Auction Pools, such residual amount shall be apportioned among such Auction Pools in the same ratio as the total non-defaulting Members' contributions

were split between the pools at the time of the Default handling. Within each Auction Pool, the recovered amounts will be returned to the non-defaulting Members in the reverse order of the Juniorisation scheme established for each such pool in accordance with the provisions of Regulation D(6) of Chapter VI of these Regulations. However, in case of Pools where Auction was not conducted, the recovered amount shall be returned to the non-defaulting Members in proportion to the amount utilized.

d. Next, by apportioning to the first tranche of Clearing Corporation allocated from its Settlement Reserve Fund, but not exceeding the amount originally appropriated from this tranche.

e. Finally, any residual amount shall be returned to the defaulting Member after adjusting for any other dues and claims, if any from such defaulter.

   i. The return of resources to the non-defaulting Members as per the provisions of sub-Regulation a) and c) above will be by way of credit in the form of cash or eligible securities of equivalent market value to their Default Fund accounts.

   ii. If a Member ceases to be a Member of the Segment by its resignation or expulsion, Clearing Corporation shall have paramount lien to appropriate the contributions made by the Member to Default Fund first towards meeting any residual loss arising on squaring off the Trades of such Member and the balance towards recovery of monies towards dues and claims before accepting claims for refund of the contribution to the concerned Member. The refund will also be subject to other Bye-laws, Rules, and Regulations of such Segments of Clearing Corporation in which the Member has been admitted.

CHAPTER VIII: RISK MANAGEMENT

A. SCOPE

1. This Chapter outlines the risk management policy of Clearing Corporation for its Forex Forward Segment. Clearing Corporation may after due notification, modify its practices relating to risk containment measures from time to time.
2. Clearing Corporation shall cover its risk through prescription of Initial Margin (including spread Margin), Mark-to-Market Margin, Volatility and Concentration Margin, Stress Loss Margin.
3. The risk exposure on the Outstanding Trades of the Member/its Constituents shall be computed based on Portfolio Value at Risk supplemented by recovery of additional amount as spread Margin . Clearing Corporation may collect higher Initial Margin on the Trades of the Constituents. Marking to market of Outstanding Trades shall also be carried out to capture risks from notional loss in the outstanding Trade portfolios of the Members;
4. Clearing Corporation, after due notification, may set different Margins for different Members/their Constituents, based on the ratings/gradings assigned to the Members on the basis of certain financial parameters including Net Worth, asset quality etc. as 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 agency or in regard to the ratings arrived at for the Members shall be final and binding on the Members.

   Notwithstanding the credit rating/grading, Clearing Corporation may hike Margins in case of any regulatory actions/deterioration in financial position/adverse market report etc.
5. Any step-up or increase in the Margins of a Clearing Member on account of actions taken by the Clearing Corporation in terms of Regulation 4 above shall result in a similar step-up increase in the Margin of all of its Constituents.
6. Clearing Corporation may, after due notification, set prudential limit for each Member/its Constituent in terms of its aggregate Outstanding Trade exposure of the Member/its Constituent (in terms of total volume of Outstanding Trades or otherwise, as may be decided by Clearing Corporation from time to time). Such limit may be set by Clearing

Corporation based on the member's nature of business net worth or such other factors as may be considered appropriate by Clearing Corporation. In the event of any Member/its Constituent exceeding such limit Clearing Corporation may set higher Margin for the Member in respect of Trades which are in excess of such limits. Upon setting higher Margins on the Constituents, it shall be the responsibility of the Clearing Member to contribute such increased Margins to Clearing Corporation.

7. MTM Margins shall be collected based on Settlement Date-wise net USD buy or sale positions of the Members/its Constituent. Such Margin shall be computed using the INR/USD forward exchange rates, as applicable, prevailing at the time of such computation and Clearing Corporation shall be entitled to use such rates for mark to market Margin computation as it considers reasonable.

B. MARK-TO-MARKET Exchange Rates

1. Forward Rates for pre-specified tenor points (calendar month ends and for other short tenors) shall be taken as basis. Forward Rates for other tenors shall be arrived at through interpolation/ extrapolation.

Rates arrived at as above shall be treated as mid-rates which shall then be adjusted for Bid-Offer spreads. Net sale positions of the Members may be valued using lower rates and net buy positions using higher rates.

C. PROCESS

1. Initial Margin

1.1. The Initial Margin Obligation of each Member/its Constituent in respect of its Outstanding Trades shall be computed based on the Portfolio Value at Risk (VaR) for Settlement Date-wise net USD buy or sale positions arising out of such Trades, using such model as Clearing Corporation deems appropriate. The details of the model proposed to be used, will be notified by the Clearing Corporation from time to time. Clearing Corporation may periodically re-evaluate the model used and if required, after due notification, may alter it or replace it with a different model.

Clearing Corporation's decision in this regard shall be final and binding on the Member.

1.2. The Margin shall be computed separately for Proprietary Trades of the Clearing Member and for the Trades of each of its Constituents and no off set shall be provided between the Proprietary Trades and Trades of Constituents or between Trades of two Constituents;

1.3. Clearing Corporation may, however, set a minimum initial Margin requirement as notified by it from time to time

1.4. Spread Margin shall be taken at a specified percentage of the difference between:

a. Higher of VaR for only US Dollar net buy positions or VaR for only US Dollar net sale positions, and;

b. Portfolio VaR for Settlement Date-wise Net USD Buy or Sale Positions.

1.5. Clearing Corporation may collect higher initial Margin on the Trades of the Constituents.

2. Mark to Market Margin

2.1. Members shall be liable to maintain mark to market Margin for itself and its Constituents in respect of adverse positions on its outstanding forward Trades;

2.2. Settlement date–wise net USD positions shall be revalued at the end of the day using the Mark to Market exchange rates as described in Regulation (B) above to arrive at the Settlement date wise profits and losses.

2.3. Settlement date-wise net profits /losses shall be discounted to the date of computation and aggregated separately for each Member and for each of its Constituents (sovereign rupee interest rates shall be used for discounting). No offsets shall be permitted between the profits and losses on Proprietary Trades and on Trades of Constituents or between Trades of two Constituents;

2.4. If the above computation shows net MTM loss at an aggregate level, such amount shall be collected as MTM Margin. Any MTM profit, subject to such conditions as notified by Clearing Corporation from time to time, shall be treated as Margin credit made available to the Member/its Constituent.

2.5. MTM Margin obligation shall be computed as at the end of each Business Day and shall be valid till its computation as at the end of the subsequent Business Day. In case of high volatility, Clearing Corporation shall also collect MTM Margin on intra-day basis from the Members/their Constituents based on a process as notified by Clearing Corporation from time to time. Provided that, if a Trade is not reported by either of the counter-party on the day of the Trade or even if reported on the day of the Trade, if acceptance of such a Trade by Clearing Corporation is delayed to a subsequent day due to inadequacy of Margin in the account of any of the counter-party, Clearing Corporation shall be entitled to recover MTM Margin for such Trade before acceptance for guaranteed Settlement.

Provided further that if a Trade has been done at a rate which in the opinion of Clearing Corporation is not in line with the market rate prevailing at the time of acceptance,

Clearing Corporation shall be entitled to recover the notional loss computed based on such difference in rates between traded rate and market rate, from the Member/Constituents, as MTM Margin, before acceptance of such Trade.

2.6. For the Trades entering into the spot window, the mark to market Margin would be retained by Clearing Corporation till completion of Settlement. However, in case of Constituent Trade, the MTM Margins for both counterparties may be released before the Settlement Date by Clearing Corporation and will be separately notified by Clearing Corporation Clearing Corporation shall transfer the MTM Margins of the forward positions to the Forex Settlement Segment on S-2 day.

3. Volatility Margin

Clearing Corporation may impose Volatility Margin on days on which there is a sudden increase in the volatility of exchange rates and or interest rates. Such Margin may be imposed by Clearing Corporation at any time during the day. The process followed for imposition and collection of Volatility Margin shall be as notified by Clearing Corporation from time to time.

4. Concentration Margin

Clearing Corporation shall impose Concentration Margin on Members / Constituents whose exposures on account of their Outstanding Trades exceed some predetermined thresholds. The process followed for determining these thresholds and imposition of Concentration Margin shall be as notified by Clearing Corporation from time to time.

5. Stress Loss Margin

Stress Loss Margin constitutes the Margin obligation required to be fulfilled by a Member if the Stress Loss on the outstanding Trades of a Member and / or its Constituents exceeds a certain threshold as may be notified by the Clearing Corporation from time to time. The process followed for imposition of Stress Loss Margin shall be as notified by Clearing Corporation from time to time.

D. VALUATION OF SECURITIES IN MCC

1. The Securities contributed by Members to MCC shall be subjected to a valuation exercise on a daily basis or at such frequencies as may be notified by Clearing Corporation from time to time.

2. The valuation of Securities shall be carried out using Clearing Corporation's Mark to Market price for such Securities.

   Clearing Corporation shall, notify from time to time Haircuts on the respective market values as per rates prescribed for the Eligible Securities from time to time;

E. MARK TO MARKET GAINS

1. In case Mark to Market value of accepted Trades of a Member/its Constituents is positive, Clearing Corporation may, after due notification to Members, allow such amount, net of haircut, if any, to be treated as Margin Credit available to the Member/its Constituent(s). The mark to market values will be computed for each Member and its Constituents separately and then aggregated for each Margin account. If such credit is allowed, Clearing Corporation shall also have the right to adjust such Margin Credit due to any revaluation of Outstanding Trades carried out on intra-day basis.
2. For net positions arising out of forward Trades transferred to the Forex Settlement Segment for Settlement purposes, Such Margin Credit will be transferred to the Forex Settlement Segment shall be withdrawn on the day of Settlement after the Final Net Position Report for the day is generated.
3. After withdrawal of such Margin Credit, if it is observed at the time of Settlement in the Forex Settlement Segment that there is Margin shortfall on account of such Settlement, Clearing Corporation shall have the right to hold back Settlement proceeds or block the Margin of the Clearing Member to the extent of such shortfall.
4. If any Settlement proceeds is held back as per sub Regulation E (3) above, the withheld amount would be released to the Member on replenishment of the Margin Shortfall. If the Member fails to replenish the shortfall by the time specified by Clearing Corporation from time to time, Clearing Corporation may appropriate such Settlement proceeds by credit to MCC of the Member. If the withheld proceeds are in US Dollars, Clearing Corporation shall have the right to dispose of such amount as per process outlined in Regulation (D) (2) (f) of Chapter VI relating to Defaults in the Regulations of the Forex Settlement Segment. The proceeds of such sale shall be credited to the MCC account of the Member.

CHAPTER IX: NOTICES

1. Clearing Corporation shall specify formats for receiving Notices from Members to facilitate its operations ;
2. Clearing Corporation shall notify from time to time the changes in the formats as it may consider necessary from time to time. Changes if any shall be advised to Members prior to being brought into operations;
3. Clearing Corporation shall, duly notify from time to time the mode and manner of delivery/receipt of notice to/from its Members.

CHAPTER X: FEES AND CHARGES

A. SCHEDULE OF FEES AND CHARGES

1. The Board or any other Committee appointed by the Board or Official(s) of Clearing Corporation authorized by the Board in that behalf shall prescribe the scale of fees, charges, levies, fines and/or penalties payable by Members for services provided by Clearing Corporation from time to time.
2. The Board or any other Committee appointed by the Board or Official(s) of Clearing Corporation authorized by the Board in that behalf shall be empowered to review the various fees, charges, levies, fines and/or penalties and effect such changes in the same as it considers necessary.
3. The revised tariff, as and when made effective, shall be payable by Members.
4. The Schedule of such charges shall be as notified by Clearing Corporation from time to time.

B. BILLS FOR FEES AND CHARGES

1. Clearing Corporation shall render monthly bills relating to its usual fees and charges for services provided by Clearing Corporation from time to time.
2. The bills of Clearing Corporation shall be notified to the Members at monthly intervals on the first business day of every month in respect of Transaction charges in respect of the Members for the immediately preceding month.
3. The Members shall verify their monthly billings and notify Clearing Corporation of discrepancies, if any, with all necessary details latest within two days from the date of notification of relative bill.

C. RECOVERY OF CHARGES

1. The Members shall effect payment of the Transaction charges payable by them to Clearing Corporation in terms of their monthly bills (as per B above) in the manner specified by Clearing Corporation from time to time by the 10th calendar day of every business month failing which Members shall be liable to pay penalty on delayed payment of charges as per the notification issued by Clearing Corporation from time to time.
2. The payment of fines, penalties and/or other levies shall be payable by the Members separately as and when such a demand has been made on those Members by Clearing Corporation.

CHAPTER XI: HOLIDAY HANDLING

Due to the declaration of holidays (in India or in United States of America), it may be required to alter the value dates of Trades reported by Members to the Clearing Corporation.

For Trades which have Settlement Date as holiday, the Settlement Date shall be shifted to the next business date.

Provided that, if the holiday is known at least 3 business days before the holiday and it is a month-end day, the Settlement Date shall be shifted to the preceding business day.

In the event holiday is declared after the netted position has been transferred to the Forex Settlement Segment, in terms of Chapter (IV)(E)(4) of these Regulations, i.e., on S-2 day, the shifting of the Settlement Date shall be governed by the Forex Settlement Regulations for holiday handling.

CHAPTER XII: PORTFOLIO COMPRESSION

1. Clearing Corporation may, after due notification to Members, run at periodic intervals a Portfolio Compression exercise, for forward Foreign Exchange (rupee/US Dollar) Trades of Forex Forward Segment.
2. The process flow for the Portfolio Compression exercise shall be as notified by Clearing Corporation from time to time.
3. Portfolio Compression is a process that facilitates a reduction in Outstanding Trade count and outstanding gross notional amount by fully or partially terminating redundant Trades.
4. Every Member of Forex Forward Segment who is desirous of availing the Portfolio Compression services for its outstanding Forward rupee/US Dollar Trades shall submit an application in this regard to Clearing Corporation and comply with all necessary formalities as prescribed from time to time for availing the service. A Member may include Trades of its Constituent(s) for the Portfolio Compression services.
5. The applicant, on completion of all formalities will be granted permission to participate in this exercise whenever it is conducted by CCIL.
6. The outcome of the Portfolio Compression exercise will be a set of proposals for full or partial terminations of Trades for each participant, which, if effected, would reduce the number of outstanding Forward Rupee / US Dollar Trades of the participants' portfolios and/or the US Dollar value of the participants' including the Constituent(s) portfolios while ensuring that their risk profiles remain within the defined tolerances provided by them. It involves the execution of a mathematical algorithm to arrive at the optimum solution.
7. The process to be followed for the Portfolio Compression Exercise will be as notified from time to time by Clearing Corporation.
8. Clearing Corporation may specify the time schedule for the reporting of Trades by Members for its Proprietary Trades and the Trades of its Constituent to Clearing Corporation as also for various other activities incidental to the Portfolio Compression exercise.
9. The Settlement of cash flows arising out of the Portfolio Compression exercise will be carried out either as part of the daily Rupee Settlement carried out by Clearing Corporation in the Forex Segment or through separate Settlement process as notified by clearing corporation. If Settlement is carried out as part of daily Rupee Settlement carried out by

Clearing Corporation, Members with net rupee payables on account of compression for its Proprietary Trades and the Trades of its Constituent will be required to pre-fund the same i.e. they have to credit CCIL's Settlement Account at RBI with the amount payable after which the Settlement will be carried out in the normal course by combining the net rupee receivable amount of the participating Members from Portfolio Compression with the Settlement of daily cash flows.

10. Clearing Corporation shall act in the capacity of a facilitator for carrying out Portfolio Compression exercise of forward Foreign Exchange (rupee/US Dollar) Trades of its Members including the Trades of its Constituent(s) and, therefore, shall assume no liability for the Settlement of amounts arising out of early termination of these Trades for the purpose of Portfolio Compression exercise or any obligations there under. Clearing Corporation shall however be responsible for declaring a Portfolio Compression Exercise as completed after it has received all amounts receivable from the participating Members.
11. As a result of the compression, if there is any shortfall or surplus at the aggregate level between the aggregate net sum payable by the participants and the aggregate net sum receivable from the participants, such difference will be allocated to each participant by CCIL in a manner as notified by Clearing Corporation from time to time
12. After it has received all amounts receivable from the participating Members, Clearing Corporation shall declare the Portfolio Compression Exercise as completed and assume liability for the Settlement of amounts arising out of early termination of these Trades.
13. In case of an increase in the Margin Obligation as a result of the Portfolio Compression, the Collateral made available in the MCC by the Member shall be blocked to meet such additional Margin requirements in terms of the provisions of Chapter V, 'Margin' of these Regulations
14. On completion of the Portfolio Compression Exercise, the Trades identified for full termination by CCIL during the process would be treated as terminated. In case of partial termination, the notional value of Trades will be reduced by such amount.
15. Clearing Corporation may, at its absolute discretion, decide to call off Portfolio Compression exercise if it so warrants at any time if, in its sole opinion, no feasible solution is possible or if any one or more of the other participating Members seek to withdraw from the exercise or for any reason beyond the control of Clearing Corporation including regulatory or legal injunction or order or due to any Force Majeure event.
16. The charges applicable for this service will be as notified by Clearing Corporation from time to time.

CHAPTER XIII: DEFAULT MANAGEMENT COMMITTEE

1. General provisions for Default Management Committees

a. Default Management Committee (DMC) :

A Default Management Committee (hereinafter referred to as DMC) shall be a committee as defined in these Regulations. The Clearing Corporation shall establish a Default Management Committee for this Segment.

b. Roles and Responsibilities of the DMC:

The roles and responsibilities of the DMC shall be to advise and assist the Clearing Corporation in the following matters:

i. Assisting in hedging Defaulter's Portfolio including facilitation of execution of the Hedge Trades.
ii. Creating tranches out of the defaulter's hedged/un-hedged portfolio, as the case may be.
iii. Setting reserve price for Auction of portfolio tranches.
iv. Carrying out market sale of positions/ auction as required.
v. Assisting in allocation of unsold position/Trades; and
vi. Any other incidental matter(s) in connection with the above as may be brought before the DMC by the Clearing Corporation.

c. Eligibility criteria for DMC membership:

i. The Member shall not have been declared as defaulter in terms of Chapter XII, 'Default' of the Bye-Laws of Clearing Corporation.
ii. The Member shall not be subject to any regulatory actions of material nature in the three years prior to its nomination on the DMC.

Failure to comply with any of these conditions during the tenure of its membership shall result in the termination of the DMC membership of such Member institution.

d. Constitution of DMC

i. Clearing Corporation by Notification shall prescribe the process and constitute the DMC by nominating seven members to the DMC out of its Members. Clearing Corporation may also invite other Members to join the DMC.
ii. The Member (s) so identified shall participate in the meetings and carry out the function as specified under this Chapter.

e. Qualifying criteria for an official deputed to represent a Member on the DMC:

i. A Member shall be required to depute up to two representatives (hereinafter referred to as DMC Official(s).

ii. The DMC Official so deputed shall:

- be a serving employee in India of the Member.
- have relevant experience with respect to the products cleared by Clearing Corporation and have appropriate expertise in the matters in which the DMC is expected to advise Clearing Corporation.
- not be subject to any on-going regulatory disciplinary investigation / action.
- not already be a member of a Default Management Committee or a similar committee of Clearing Corporation or any other Central Counterparty or exchange;

f. Term of DMC Member(s) and DMC Official(s):

i. DMC Members and the respective DMC Officials shall serve a term of three years from the time of constitution or deputation as the case may be.

Provided however that, the DMC Official may be replaced by the DMC Member on account of transfer, retirement, resignation or any similar cause or on account of the DMC Official disqualifying under any of the criteria specified for DMC hereinabove.

ii. The DMC shall be re-constituted after the end of the term and Members shall be eligible to be re-appointed for one or more terms. Provided however that, Clearing Corporation may extend the extant period beyond the usual term of three years, if the DMC activity for which a DMC Meeting has been convened is not likely to be completed before the term would have otherwise ended.

g. Disqualification of a Member from DMC

i. A Member shall cease to be part of the DMC if it has been declared as a defaulter in one or more clearing Segments of Clearing Corporation in terms of its Bye Laws, Rules and Regulations

ii. If two or more Member(s) are subject to a merger and if either of such institutions is a DMC Member, Clearing Corporation may consider to induct such merged entity to the DMC.

iii. Clearing Corporation may appoint a Member, who is not a DMC Member, ~~,~~ to replace the outgoing DMC Member.

h. Removal of a DMC Official by Clearing Corporation:

Clearing Corporation shall have the right to remove a DMC Official from the DMC proceedings if in the opinion of Clearing Corporation, the DMC Official is not a fit or suitable candidate.

i. DMC meetings

i. A DMC meeting shall be convened by the Clearing Corporation through a Notification to the DMC Member including by way of an e-mail / telephone or any other suitable means.

ii. The types of DMC Meetings convened are as follows:

- GENERAL MEETING - Convened at regular intervals to deliberate, discuss and decide on Default handling procedures.
- FIRE DRILL MEETING – For assessing the efficiency of default handling procedures during default fire drills and suggesting corrective measures thereon.
- DEFAULT MANAGEMENT MEETING – For assisting Clearing Corporation in managing participant Defaults.

iii. In case of a Default Management Meeting, the DMC Officials must be available for prompt participation within two hours from the receipt of intimation (Notification) for such meeting.

iv. Upto two representatives shall be permitted to attend General Meetings and Fire Drill Meetings. In case of Default Management Meeting, only one representative shall be permitted to attend the meeting.

v. A DMC Member not being represented by its DMC Officials for any of the DMC meetings stated above, shall record its reasons in writing to Clearing Corporation within one business day.

vi. In case of DMC Meetings, where an existing DMC Member does not respond or participate, in such cases Clearing Corporation may invite some other Member of the Segment to participate in the DMC Meeting. Member so invited shall continue until the DMC activity is completed.

vii. Clearing Corporation shall facilitate the DMC Meetings by way of appointment of one or more representatives by the Approving Authority.

j. Quorum

i. The quorum shall be achieved with three members of the DMC being present. In the event, none of the Members is available for participation in the DMC Meeting so scheduled, considering the interest of the market and the sensitive and time bound nature of the activity, Clearing Corporation shall proceed with the Default Handling activity in accordance with the provisions of Chapter VII of these Regulations.

2. Voting procedures

a. All decisions of DMC shall be made at a DMC Meeting by the DMC Officials present in the Meeting on the basis of voting by means of a simple majority. In the event of a tie or if simple majority is not achieved, the same shall be addressed in accordance with sub-Regulation 1(j)(ii).

b. Each participating DMC Member shall have only one vote.

3. Recommendations of DMC

a. The DMC shall submit its recommendations to Clearing Corporation for further action on the same.

b. Clearing Corporation shall have the right to accept or not to accept any of the recommendations of the DMC. In the event, the Clearing Corporation does not accept the DMC's recommendations, it shall record its views in writing and shall notify the same to the Regulator.

c. In situations where the DMC is not able to arrive at a decision based on a simple majority, Clearing Corporation shall have the right to proceed in a manner as it deems fit and record its reasons in writing to the Regulator. In such case, the course of action so decided by Clearing Corporation shall be final and binding.

4. External Experts

a. Clearing Corporation may invite external experts or external counsels to attend whole or part of the DMC meetings if the attendance of such experts/ counsels is deemed appropriate by the Clearing Corporation.

b. Such external experts, if invited to attend the DMC meeting shall have no right to vote in the meeting.

5. Confidentiality

a. DMC Members, DMC Officials and external experts shall maintain confidentiality of DMC proceedings, discussions, decisions and such other information in connection with or relating to the DMC. Such confidentiality shall be maintained at all times.

b. DMC Members shall not use any confidential information received as part of the DMC for any benefit, including, but not limited to self, employer or employer's affiliates or any third party. Notwithstanding the foregoing, the DMC Officials shall be required to adhere to such confidentiality protocols as may be required by Clearing Corporation from time to time.

c. The DMC Members/DMC Officials/external experts shall be permitted to disclose such information only to regulatory or statutory authorities.

   Confidential Information for the purpose of this Chapter shall mean and include the information received by the DMC Members, as part of the Default management process.

6. Code of Conduct for DMC Member

a. DMC Members, DMC Officials and external experts shall adhere to the Bye-Laws, Rules and Regulations of Clearing Corporation to the extent applicable.

b. Each DMC Member shall require its deputed DMC Official(s) to follow the instructions of Clearing Corporation during a DMC Meeting held in connection with the DMC matters and act in the best interest of a successful Default management process of Clearing Corporation.

c. DMC Officials shall remain an employee of the respective DMC Members and shall not qualify as an employee of Clearing Corporation or its subsidiaries.

d. DMC Members, DMC Officials shall perform their duties as a member of the DMC to the best of their abilities and shall abide by Clearing Corporation's Bye-Laws, Rules and Regulations in this regard.

e. DMC Members shall forthwith inform Clearing Corporation if they are in violation of any of the requirements under these regulations or the Bye-Laws and Rules of Clearing Corporation.

f. No reimbursement shall be sought by DMC Members from Clearing Corporation for any costs arising from or incidental to a DMC activity.

g. The participation of the DMC Officials in the DMC activities shall be supervised by Clearing Corporation. Provided however that, the DMC officials shall be independent in exercising their duties and shall not be prevented by DMC Member institutions from carrying out those duties as provided herein.

h. DMC Members shall ensure the respective DMC Officials deputed by them
   i. do not disclose any Confidential Information obtained by them in course of their participation in DMC activities to any third parties and
   ii. do not use any Confidential Information for their own benefit or for the benefit of the institution they represent.

   The Confidential Information shall be used only in relation to the duties required to be performed as a member of the DMC and no Confidential Information shall be disclosed to any third party.

i. DMC Members shall exercise due care to protect Confidential Information against accidental or unauthorized access, modifications, disclosures, or destruction and exercise due and proper care to keep conversations private and not overheard by others who are not authorized to have access to such Confidential Information.

j. DMC Members shall comply with all controls established by Clearing Corporation by virtue of their being a part of the DMC.

Glossary of changes to Forex Forward Segment Regulations

Sr. No	Chapter/ Clause	Existing Clause	Revised Clause	Rationale
1.	**CHAPTER V: MARGINS** **B. MARGIN COMPONENTS**	***New Insertion***	**5. Stress Loss Margin** Stress Loss Margin constitutes the Margin obligation required to be fulfilled by a Member if the Stress Loss on the outstanding Trades of a Member and / or its Constituents exceeds a certain threshold as may be notified by the Clearing Corporation from time to time. The process followed for imposition of Stress Loss Margin shall be as notified by Clearing Corporation from time to time.	←Definition provided on account introduction of Stress Loss Margin.
2.	**CHAPTER VIII: RISK MANAGEMENT**	**A. SCOPE** 1… 2. Clearing Corporation shall cover its risk through prescription of Initial Margin (including spread Margin), Mark-to-Market Margin, Volatility and Concentration Margin;	**A. SCOPE** 1… 2. Clearing Corporation shall cover its risk through prescription of Initial Margin (including spread Margin), Mark-to-Market Margin, Volatility and Concentration Margin, Stress Loss Margin.	. ←Addition on account of introduction of Stress Loss Margin.

3.	**CHAPTER VIII: RISK MANAGEMENT** **C. PROCESS**	***New Definition***	**5.** **<u>Stress Loss Margin</u>** Stress Loss Margin constitutes the Margin obligation required to be fulfilled by a Member if the Stress Loss on the outstanding Trades of a Member and / or its Constituents exceeds a certain threshold as may be notified by the Clearing Corporation from time to time. The process followed for imposition of Stress Loss Margin shall be as notified by Clearing Corporation from time to time.	← Language supplied on account of new margin head i.e. Stress Loss Margin.