THE CLEARING CORPORATION OF INDIA LIMITED

FOREX SETTLEMENT SEGMENT REGULATIONS

CHAPTER	DESCRIPTION	PAGE NO.
I	Introduction	2
II	Membership	3-6
III	Collateral	7-9
IV	Trade Settlement	10-17
V	Net Debit Cap, Exposure Limit & Margins	18-22
VI	Settlement Shortages and Defaults	23-28
VII	Risk Management	29-36
VIII	Default Fund	37-44
IX	Charges	45
X	Holiday Handling	46-47
XI	Miscellaneous	48

Updated in November, 2026.

CHAPTER I: INTRODUCTION

The Regulations framed hereunder shall be called "The Clearing Corporation of India Ltd. (Forex Settlement Segment) Regulations, 2009". (*As amended in November, 2026*)

APPLICABILITY

These Regulations shall be applicable to all Members admitted to the Forex Settlement Segment of Clearing Corporation of India Ltd. hereinafter referred to as "Clearing Corporation".

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

1. Every entity desirous of seeking membership shall submit an application in the prescribed format to Clearing Corporation complete in all respects together with all requisite enclosures as required to be submitted in terms of the Application Form;
2. The application shall clearly specify that the applicant desires to seek membership to the Forex Settlement Segment of Clearing CorporationSettlement of;

The application form shall be submitted along with the fees prescribed therefor.

B. PROCESSING OF APPLICATIONS

1. Every such application received in terms of Regulation (A) above shall be submitted to the Approving Authority for consideration;
2. Clarifications and/or additional information sought by Approving Authority shall be furnished by the applicant. Such applications shall be processed further only upon receipt of complete particulars called for by Approving Authority.
3. Mere submission of completed application forms and/or additional information sought by Approving Authority does not by itself confer any right on the applicant to claim grant of membership to Clearing Corporation.
4. Upon receipt of approval of Approving Authority, Clearing Corporation shall communicate such approval to the applicant advising it to complete the other formalities outlined in these Regulations.
5. Upon receipt of the said advice, the applicant shall complete the other formalities stipulated in these Regulations and execute necessary documents in such form and manner as may be prescribed by Clearing Corporation from time to time. The necessary documents shall be executed by duly authorised signatory (ies) of the applicant.

C. MEMBER ID

1. On the applicant being admitted as a Member of Clearing Corporation it shall be allotted a unique Member ID;
2. Every Member shall incorporate the unique Member ID in all Trades reported to Clearing Corporation for Clearing and Settlement;

3. Every Member shall incorporate the unique Member ID in all its communications to Clearing Corporation;
4. Non-incorporation of the unique Member ID by a Member in any Trade or communication by a Member shall absolve Clearing Corporation of liabilities or consequences, if any, arising out of such inaction by the Member;
5. Every Member shall ensure that incorporation and/or use of its unique Member ID is restricted to authorised personnel only and such Member shall be responsible for any loss or consequences that may arise on account of unauthorized and/or wrongful use of unique Member ID;
6. Clearing Corporation and/or any of its officials shall not be in any way responsible for any loss or consequences that may arise on account of unauthorized and/or wrongful use of unique Member ID.

D. CLEARING MEMBER

A Member may be admitted as a Clearing Member for this Segment. Such Member would be entitled to have USD/INR Trades of its constituents cleared and settled in terms of policies and procedures to be notified by the Clearing Corporation effective from a date notified by Clearing Corporation.

E. SUSPENSION RIGHTS OF CLEARING CORPORATION

a. Clearing Corporation may suspend its Members as specified in the Regulations.
b. Managing Director of Clearing Corporation or a Committee of not less than two officials nominated by the Managing Director (MD) may disable a Member from accessing the facilities of Clearing Corporation if in the opinion of the MD or the Committee of officials circumstances exist warranting disablement pending suspension. Provided that, within 4 hours after such disablement, the MD or the Committee of officials as the case may be shall record in writing the reasons for such disablement provided however that the same shall be reported at the next Board or the Committee meeting whichever is earlier.
c. After such disablement, Clearing Corporation shall communicate the information to other Members.

F. RESIGNATION FROM MEMBERSHIP

I. A Member who

a. is not a Defaulter;

b. has met all the Margin calls

c. has replenished its Default Fund contributions in respect of calls made on or before the Resignation Request date (as defined in Regulation II(i) below) shall have the right to resign from Forex Settlement Segment provided;

1. such Member is not a Member in the Forex Forward Segment and / or the FX Options Segment and satisfies either of the following conditions:

   i. there are no outstanding Trades accepted in the Forex Settlement Segment.

   ii.if the Member has taken the loss through replenishment of its contribution to Forex Settlement Segment Default fund and the specified 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 F(I)(1)(i) 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 VIII, 'Default Fund' of these Regulations.

2. such Member is also a Member in the Forex Forward Segment and / or the FX Options Segment and satisfies one of the following conditions:

   i. there are no outstanding Trades accepted in the Forex Settlement Segment and the application for resignation from the Forex Forward Segment and / or the FX Options Segment has been accepted in terms of the regulations relating to the Forex Forward Segment and / or the FX Options Segment respectively. ii. the specified loss

threshold as notified by Clearing Corporation from time to time in this respect has been reached.

II. A Member resigning under Regulations F(I)(1)(i) and F(I)(2)(i) above shall give prior notice in writing to the Clearing Corporation clearly indicating its decision to resign from the Forex Settlement Segment.

i. The notice shall be effective on the Resignation Request Date.

ii. Clearing Corporation shall promptly notify other Members of this Segment about the resignation request received. Such request for resignation under Regulation F(I)(1)(i) and F(I)(2)(i) 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 based on fulfilment or otherwise of the conditions for resignation by the Member. 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 to be approved at the end of 2 business days from the Resignation Request Date.

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

III. A Member desiring to resign under Regulation F(I)(1)(ii) and F(I)(2)(ii)above shall have to give prior notice of 30 calendar days to the Clearing Corporation in writing clearly indicating its decision to resign from the Forex Settlement Segment.

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

i. The resigning Member who is only a Member in the Forex Settlement Segment shall cancel all the outstanding matched Trades in the Forex Settlement Segment.

ii. The resigning Member who is also a Member in the Forex Forward Segment and / or the FX Options Segment shall be required to close-out all its Outstanding Trades as of Resignation Request Date in terms of the process set out in the respective Segments' Regulations relating to such close-out.

IV. All requests for resignation under Regulation III above shall be approved or rejected by the Managing Director of Clearing Corporation or by an official so authorised by the Managing Director after the Member has cancelled all its Outstanding Trades within the specified 30 days notice period based on fulfillment or otherwise of all the conditions for resignation by the Member. If it is not rejected or if such approval is not given by the end of the day of the Member's cancelling and closing out of all its outstanding Trades, it shall be deemed to have been approved at the end of such day. 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.

V. If the Member fails to cancel or close-out all its outstanding Trades within the period set out in Regulation IV above, the resignation notice shall automatically become null and void.

CHAPTER III: COLLATERAL

A. PURPOSE

1. Clearing Corporation shall maintain a dedicated collateral (*hereinafter referred to as "FX Collateral*") in respect of the Forex Settlement Segment with a view to meeting the risk arising out of any shortage/Default by its Members.
2. Such FX Collateralshall be utilized for such purposes as provided in the Bye-Laws, Rules and Regulations including towards meeting Default Obligations/shortage/deficiencies and/or any other dues arising out of normal Clearing and Settlement operations undertaken by Clearing Corporation as part of its day to day operations.

B. COMPOSITION

1. The dedicated FX Collateral shall be formed with contributions from Members in the form of cash (in US Dollar) or in any other form as may be notified by Clearing Corporation from time to time.
2. Clearing Corporation shall be authorized to invest the cash contribution received from Members in US Treasury Bills, bank deposits or such other instruments in accordance with the Investment Policy of the Clearing Corporation.
3. Upon its admission, a Member's contribution to FX Collateral shall be a condition precedent for Clearing Corporation to accept Trades from the Member and/or on its behalf for Clearing and Settlement.
4. A Member's contribution to FX Collateral shall be available to cover its Margin obligations towards Exposure Limit, Mark to Market Margin and/or any other Margin that may be prescribed in Chapter VII relating to "Risk Management" in these Regulations.

A Member shall at all times ensure that its contributions to FX Collateral are adequate to cover Exposure Limits including any additional Margin requirements therefore on the outstanding Trades accepted by Clearing Corporation on behalf of that Member as per Chapter VII relating to "Risk Management" in these Regulations.

C. INTEREST ON CONTRIBUTIONS TO FX COLLATERAL

Clearing Corporation shall invest cash contribution received from Members in USD Deposits/US Treasury Bills and distribute interest as notified by Clearing Corporation from time to time.

D ADMINISTRATION

1. Clearing Corporation shall have absolute control over the administration, manner and mode of investment of cash Margins deposited by Members including appointment of a Custodian for management and/or deployment of such contributions;
2. The investments made by Clearing Corporation on behalf of the Members in U S Treasury Bills shall be held with the Custodian appointed by Clearing Corporation;
3. In the event of Clearing Corporation appointing a Custodian to manage Member contributions denominated in USD to FX Collateral, all terms and conditions governing such arrangement with the Custodian shall automatically be binding on its Members;
4. Clearing Corporation shall have the absolute right to utilize any of the securities held by it on behalf of Members with the Custodian to meet shortages/Defaults and/or deficiencies in the Clearing and Settlement process arising either out of a Default by the Member or any other Member in such sequence of application as detailed in Chapter VI related to Settlement Shortage and Defaults of these Regulations;
5. Clearing Corporation shall also be authorised to pledge, hypothecate, create any charge and/or encumbrance on the investments made from the cash contribution received from Members in U S Treasury Bills, bank deposits or any other instruments for availing line of credit/repo or any other facilities both in INR and USD from RBI, Banks, Institutions and/or any other entities either in India and/or in the United States of America, for the purpose of Clearing and Settlement of transactions accepted by it;
6. Clearing Corporation shall have paramount lien on contributions made by any of its Members to FX Collateral towards any amount due from such Members towards recovery of losses, charges, penalties or any other amount due to Clearing Corporation and Clearing Corporation shall be entitled to utilize the contributions or the proceeds arising out of the contribution to appropriate towards recovery of losses, charges, penalties or any other amount due to Clearing Corporation and any Default Obligations/shortages/deficiencies and/or any other dues of such Member arising out of normal Clearing and Settlement operations undertaken by Clearing Corporation as part of its normal day to day operations;

E WITHDRAWAL FROM FX COLLATERAL

1. Members shall be entitled to withdraw their contributions to FX Collateral in excess of their obligations to cover their Margin requirements and/or any other amount payable to Clearing Corporation, by giving prior notice as per the workflow process notified by Clearing Corporation from time to time to Clearing Corporation and/or its Custodian as applicable in the format prescribed for the purpose;
2. Members shall ensure at the time of lodging such requests for withdrawal of excess contributions to FX Collateral do not fall below the prescribed ratio of FX Collateral contribution after such withdrawal is effected.

F CASH CONTRIBUTION TO FX COLLATERAL – PAYMENTS AND RECEIPTS

1. Members shall effect cash contribution to FX Collateral in US Dollar as per the work flow process notified by Clearing Corporation from time to time in respect of their respective Margin obligations
2. Clearing Corporation shall not in any manner be responsible for any consequences that may arise on account of non-receipt of deposits from Members towards their cash contributions to FX Collateral
3. Members shall be entitled to receive credit for their US Dollar cash deposits into FX Collateral upon receipt of confirmation from Settlement Bank. Such credit of Member's cash deposit into FX Collateral shall be reckoned from the start of the business day following the date of receipt of deposit intimation from Settlement Bank;

   Withdrawal of US Dollar cash contributions by Members shall be reduced from and reflected in their FX Collateral balances as and when instructions to transfer such amounts to the Members are issued to Settlement Bank by Clearing Corporation.

G. MCC

1. PURPOSE

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.

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 also be applicable. Any changes to the composition and/or administration and/or 'withdrawal' may also be notified by Clearing Corporation from time to time.

CHAPTER IV: TRADE SETTLEMENT

A KINDS OF TRADES

1. Clearing Corporation shall notify the kind of Forex Trades that it undertakes for Clearing and Settlement by giving an advance notice of 30 days.
2. The kinds of Forex Trades that Clearing Corporation shall undertake for Clearing and Settlement shall be based on its tenor and currency.
3. Clearing Corporation shall undertake Clearing and Settlement of inter-bank Cash, Tom, Spot and Forward Trades as per details hereunder.

4. The tenorbased Forex Trades shall be:
   a. Cash Trades
   b. Forex Trades where the Value Date for Settlement is the same as the relative Trade date. **Tom Trades**

   Forex Trades where the Value Date for Settlement is the next business day from the relative Trade date.

   c. Spot Trades

   Forex Trades where the Value Date for Settlement is the second business day from the relative Trade date.

   d. Forward Trades

   Forex Trades where the Value Date for the Settlement falls beyond the Spot date.

   The Trades shall include FX-swaps.

   Provided that in the case of swap Trades:

   i. Members shall ensure that both legs of the Trade are reported separately;
   ii. Members shall ensure to include a SWAP identifier as notified by Clearing Corporation to link both legs. A SWAP identifier is a 16-digit alpha numeric field used in the IFN300 to identify the SWAP Trades.

5. The currency based Forex Trades shall be Trades where the counter-parties Trade in USD and INR, that is where a counter-party buys a certain amount of USD against INR or vice-versa at a specified exchange rate agreed to between the parties to the deal for a Value Date. For the purpose of these Regulations, deals refer to the Forex transactions reported

by Members and Trades refer to Matched deals including deals received from Forex Dealing System of Clearcorp.

6. The Clearing Corporation shall conduct one Settlement per Value Date. The Clearing Corporation may not conduct Settlement on Saturdays/Sundays and/or any other week day which is not a business day either at Mumbai or New York, USA.

   For example

   i. 26th January is a holiday in Mumbai but not in New York and 4th July is a holiday in New York but not in Mumbai. However, on both these days USD/INR Settlement may not be undertaken by the Clearing Corporation under these Regulations.

B TIMINGS

1. Clearing Corporation may specify the time schedule for reporting of Trades by Members to Clearing Corporation as also for various other activities incidental to the Clearing and Settlement process;
2. The time schedule prescribed by Clearing Corporation in terms of Regulation (1) above shall be notified by Clearing Corporation from time to time;
3. Clearing Corporation, shall have the authority to alter, modify, add, and delete time schedules for the various activities prescribed in Regulation (1) above, and notify the Members of such changes at least 30 days before such changes shall take effect;

Notwithstanding anything contained above, Clearing Corporation may, if it is of the opinion that it is in interest of the market, alter, modify, add and delete time schedule by notifying such changes at least 24 hours before such changes take effect.

4. The Member shall adhere to the time schedules prescribed by Clearing Corporation. Clearing Corporation shall not be responsible for Trades received after the cut-off times prescribed.

C CAPTURE OF TRADES

1. The counter-parties to a Trade shall report their deals in IFN300 format or any other format prescribed and notified for Trade confirmation;
2. The Trades done on Forex Dealing of Clearcorp shall be received and captured directly by Clearing Corporation's Forex Segment for Settlement.

3. Amendments/Cancellations to deal particulars shall be governed by the rules and regulations prescribed for deals in Regulation (D) below.

D. VALIDATIONS

1. Clearing Corporation shall perform validation checks on the deals processed for Clearing and Settlement.
2. The validation checks shall be run to ensure that:
    a) Both the parties to the Trades are Members of Clearing Corporation;
    b) no information, as required in the format prescribed, is missing from the Trades reported;
    c) there is no duplication of Trades reported. any other factor material to the processing of such Trades as may be notified from time to time.
3. If any error is detected during the validation checks Clearing Corporation shall duly notify such rejection to that Member.
4. The Member shall be responsible for ensuring that amendments/cancellations to a Trade, if any, are reported to Clearing Corporation in the format specified within the stipulated cut-off time as notified by Clearing Corporation;

5. Amendments and Cancellations

i. Amendments shall not be accepted for Trades already accepted for Settlement.
ii. Amendments/Cancellations, if any, reported by the Members, after the original Trade has been matched but not yet taken up for Exposure Check/or pending exposure, shall be acted upon only if the amended/cancelled confirmation is received from both the parties to the Trade within the time limit prescribed for the purpose of reporting of Trades for the Settlement Date, failing which Clearing Corporation shall proceed with the original matched Trade.
iii. Cancellations shall be accepted for Trades already accepted for Settlement subject to availability of limits and Margins.
iv. Amendments/Cancellations, if any, reported by the Members for all the unmatched deals shall be acted upon, provided they are received within the time limit prescribed.

E. MATCHING OF FOREX TRADES

1. Clearing Corporation shall match all eligible deals to arrive at the net position of a Member. Clearing Corporation shall match fields containing membership ID, counterparty ID, exchange rate, Trade date, Value Date, foreign currency and rupee amounts.
2. Clearing Corporation shall treat deals as unmatched under the following conditions:
    a. If the fields indicated in Regulation (1) above do not match with the corresponding details of deals as reported by the counter-party deals.
    b. If deal confirmations from both parties to the Trade have not been received within the time limits prescribed for the purpose;

F. EXPOSURE CONTROL

Trades would be subjected to Margin adequacy check in terms of the process described in Chapter VII, prior to acceptance by Clearing Corporation.

Outstanding Forward Trades accepted for Settlement for 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.
All Forward Trades once accepted for settlement will be deemed to be transferred to the Forex Settlement Segment for settlement.

Outstanding Delta Hedge Forward Trades accepted for Settlement in the FX Options Segment and spot Trades arising out of exercise of accepted FX Option Trades shall be netted Member-wise two Business Days before the Settlement Day (i.e. S-2 day). The netted positions arising out of such Trades shall be subjected to Exposure Check on S-2 day in the Forex Settlement Segment. All Forward Trades once accepted for Settlement will be deemed to be transferred to the Forex Settlement Segment for Settlement. The spot Trades arising out of option exercise of all Option Trades accepted for Settlement upon exercise will be deemed to be transferred to the Forex Settlement Segment for Settlement.

G. REJECTION OF TRADES/DEALS

Clearing Corporation shall, reject the following Trade/deals reported to it by Members for Settlement.

i. Trades which fails the risk Exposure Check at the cut-off time as set out in Annexure I Corresponding Trades received from the counterparty shall also stand rejected.

ii. When deals reported by a Member are invalid, i.e., when there is any inaccuracy in the reporting of the Trades *viz.,* incorrect membership ID etc;

iii. If the deals remain unmatched till the cut-off time as set out in Annexure I.

iv. Amendments/Cancellations relating to a Trade, have been received by Clearing Corporation from the Member after the cut-off time as set out in Annexure I

v. Amendments relating to a Trade already accepted for Settlement.

vi. In the event of a sudden occurrence when Clearing and Settlement operations for the particular Settlement Date have been temporarily suspended.

vii. Any other reason as deemed fit by Clearing Corporation under advice to the Member.

H. STATUS OF TRADES

1. All Trades received for Clearing and Settlement have to be specifically accepted for Settlement by Clearing Corporation.
2. If at the end of a Settlement cycle, a specific Trade has not been accepted, such Trade shall be construed to have been rejected by Clearing Corporation.

I. SETTLEMENT OBLIGATIONS OF MEMBERS

A Member shall receive from Clearing Corporation a 'Final Net Position Report' in respect of Trades accepted for Clearing and Settlement as per format prescribed in Annexure III by the cutoff time prescribed for the purpose in Annexure(I). The Obligations contained in the Final Net Position Report shall constitute binding and conclusive confirmation of the respective Member's Obligations. The Obligations of the respective Members so determined shall be final and irrevocable.

J. SETTLEMENT PROCESS

1. Settlement of all matched cash, tom, spot and forward inter-bank USD-INR Forex Trades shall be effected through a process of netting by novation. Such Settlement will be on a multilateral netting basis.
2. If two Members enter into a Forex transaction governed by Bye-Laws, Rules and Regulations and the transaction is novated by Clearing Corporation, then each such Member's currency Obligation shall be deemed to have been individually cancelled and

simultaneously replaced by a new Obligation in the same currency as against Clearing Corporation for the same Value Date.

The amounts of such currency that shall otherwise have been deliverable or receivable by each Member to or from every other counter-party Member on such Value Date shall be netted and replaced by a contract for the net deliverable or receivable to or from Clearing Corporation. The Settlement shall be final and irrevocable when the net Obligations are determined.

3.

a. Clearing Corporation shall notify the names of Settlement Banks for effecting Settlement of Obligations of Members. Members shall identify one of these Settlement Banks for Settlement of their Net US Dollar Obligations with Clearing Corporation. Accordingly, all pay-ins/payouts shall be paid/received by the Member in the identified Settlement Bank. However, in case of temporary enhancement by way of pre-funding, a Member may opt to pay in more than one Settlement account.
b. Members shall notify any change in the identified Settlement Bank at least 3 days before any such change takes effect. Provided however, that Clearing Corporation shall have the right to waive such notice period.
c. However, in case of any disruption of services or on account of the risk perception arising from or relating to deterioration in the financial position or sudden adverse developments of the Member's identified Settlement Bank, Clearing Corporation shall have the right to transfer the balances lying therein to any other notified Settlement Bank to complete Settlements. In such cases, Clearing Corporation shall advise the Member of such disruption as soon as possible by whatever means available, which may include mail or any other mode of communication.

K. MODES OF PAYMENT A. PAY-IN OBLIGATION 1. (a) Member having a net pay-in position in USD shall;

i. have executed a Direct Debit Mandate (MT-204/MT-202R) to enable Clearing Corporation to raise a direct debit with the Member's Correspondent Bank in USD to collect the payable position in USD and credit the funds in the identified Settlement Bank; or

ii. send the necessary payment instructions to its correspondent bank for its payment Obligations in USD to the Member identified Settlement Bank.

Settlement of all Trade Obligations by a Member shall be deemed to have been completed by that Member upon actual receipt of payment by Clearing Corporation into its Settlement account(s) identified by that Member on the Settlement Date within the cut-off time specified for the purpose.

(b) Direct Debit Arrangement

i. A Member desirous of authorizing the Clearing Corporation to raise a direct debit shall execute the Debit Mandate in such form and manner as may be specified by Clearing Corporation. Such execution shall be carried out by duly authorized signatory/ies.

ii. Clearing Corporation shall, for such Member, directly debit such sums as are required to settle the Member's net payable positions in USD either in installments or for the full net Obligation as selected by the Member, from the relevant Nostro Accounts of the Member before the Cut-Off Times notified by Clearing Corporation in respect of the relevant Transactions on that Settlement Day. Member shall ensure that there are adequate USD funds in its Nostro Account to meet its payment Obligations in terms of its Final Net position report as per Regulation (I) prior to the cut-off time specified for the purpose.

iii. In the event the correspondent bank of the Member does not honour the mandate, the Member shall be liable for further action in terms of Regulation D(1) of Chapter VI of these regulations.

iv. The direct debit arrangement shall be governed by the terms set out in the Direct Debit Mandate agreement between the Member and Clearing Corporation.

2. For the INR leg, Members shall give to the RBI a mandate for operating on their Accounts maintained with RBI for the transactions arising out of the Clearing and Settlement services undertaken by Clearing Corporation.

3. Every Member shall have authorized RBI to permit Clearing Corporation to debit INR funds lying in their Accounts maintained with RBI for shortage/Default handling, should such steps become necessary in terms of the procedure outlined in Chapter VI relating to Shortage/"Defaults" of these Regulations.

B. PAY-OUT OBLIGATION

Clearing Corporation may from time to time prescribe different modes of payments and the conditions which such payments may be subject to. Clearing Corporation shall make to the Member pay-outs in the currency in which the Member has a Net-receivable, provided the Member

has paid in the Settlement Obligation due in the currency payable. The modes of payments for all Trades are specified as under:

a) Pay-outs in either currency shall be made to the extent of pay-in received in the other currency. In the event of a partial pay-in received, the amount of pay-out to be withheld shall be determined as follows:

   i. For members having pending USD Pay-ins - exchange rate to be used to arrive at INR withhold amount would be higher of member's contracted exchange rate and the latest available exchange rate

   ii. For members having pending INR Pay-ins - exchange rate to be used to arrive at USD withhold amount would be lower of member's contracted exchange rate and the latest available exchange rate.

   After withholding the amount as above, the balance payout shall be released.

b) USD payments shall be effected through the Member identified Settlement Bank for the net USD Obligation of the Member to the nostro account maintained by the Member with its correspondent bank. Members shall designate a single nostro account for the purpose; Members shall notify any change in Settlement instructions at least 7 days before such changes take effect;

c) INR payments shall be effected through accounts maintained with RBI. The RBI Regulations relating to current accounts shall form part of any Settlement process so prescribed.

d) Without prejudice to the generality of the above, under exceptional circumstances and under advice to RBI, Clearing Corporation may effect payouts in INR due to a Member against balances in the MCC.

e) Pay-outs for Members who have paid their Obligation post the specified cut-off shall be released on the next business day in proportion to such pay-ins received.

L REPORTS

Clearing Corporation shall generate and provide to each Member the following Reports:

1) Final Net Position Report

This Report:

a. Shall contain details of the net position of the Member in USD and INR for Settlement Date and shall include all Trades accepted for Settlement for arriving at such position;

b. Shall be deemed to be a Member's confirmations of the different Trades for which funds are to be received from and/or paid to the Member on the Settlement Date;

c. Shall be deemed to be a Member's instructions to RBI for effecting Settlement of these Trades in its account maintained with RBI.

d. Shall be deemed to constitute instructions to the Member for issuance of necessary payment instructions to its Correspondent Bank for ensuring Settlement on the Value Date.

The above reports may be in such formats as may be prescribed by Clearing Corporation from time to time. The report will be generated after the netting batch of S day.

2) Settlement Status Report

Settlement Status Report is generated post completion of the Settlement in either of the currencies.

M DELAYED PAYMENT OR FAILURE IN PAYMENT

i) If a Member pays Funds on the Settlement Date but the Funds are received by Clearing Corporation after the Cut-Off Time notified by Clearing Corporation on the Settlement Date, it shall be considered as a delayed payment and the applicable charges, shall be levied as notified by Clearing Corporation.

ii) If the Member fails to pay the Funds on the Settlement Date the same shall be treated as an act of Settlement Shortage by that Member. Such Settlement Shortage/Default shall be dealt with as provided for in the Chapter VI relating to “Settlement Shortages and Defaults" in these Regulations.

CHAPTER V: NET DEBIT CAP, EXPOSURE LIMIT AND MARGINS

A. NET DEBIT CAP

i) Clearing Corporation shall set currency-wise Net Debit Cap (NDC) for each Member which shall constitute the maximum potential liquidity exposure that the Clearing Corporation may take on a Member in this Segment for a given Settlement Date Net Debit Cap Limits for the Trades shall be denominated both in USD and in INR.

ii) Clearing Corporation shall set NDC for the Members depending on the ratings assigned to them on the basis of certain parameters including networth, asset quality etc. as worked out 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.

iii) The NDC set for the Members may be reviewed periodically and Clearing Corporation may alter NDCs based on such review under advice to the concerned Members.

iv) For the purpose of setting NDC for the Members, Clearing Corporation shall be entitled to seek from the Members such information as may be required in regard to their financial positions, management & ownership structure, balances with Reserve Bank of India, state of their Regulatory compliance etc. Such information is to be furnished by the Members within the time as may be required by Clearing Corporation.

In case any Member fails to submit such information, Clearing Corporation, at its sole discretion may step up the Margin factor for such Member till the review for the Member is completed.

Notwithstanding anything contained herein, it shall be open for Clearing Corporation to reduce or cancel (set it at NIL) the NDC for any Member, under advice to the concerned Member, if Clearing Corporation is of the view, based on any adverse market report or other adverse information available to it or on the Member's failure to fulfill any Settlement Obligation, that such reduction/cancellation of NDC shall be necessary to protect its own interest and/or the interest of its Members, in which case the decision of Clearing Corporation shall be final.

B. EXPOSURE LIMIT

i. Clearing Corporation shall compute and set currency-wise Exposure Limits for each Member based on its balance in FX Collateral and the Margin Factor applicable for the concerned Member in the manner prescribed in Chapter VII. Net Debit Cap set for a Member in a currency shall be the maximum ceiling for the Exposure Limit in the currency for the Member.

ii. Members shall have the right to opt for an Exposure Limit in a currency which is lower than that set by Clearing Corporation in terms of Regulation (i) above.

iii. Except under circumstances where temporary enhancement to the Exposure Limit is allowed in terms of Regulation (C)(6) Chapter VII) of these Regulations, Exposure Limit in the currency shall be the limit for the maximum Net Payable amount in the currency by the Member, for a Settlement Date, for which a Member can settle its Trades through Clearing Corporation.

iv. FX Collateral contribution made by the Member to avail Exposure Limits as above shall be considered as Initial Margin.

v. Clearing Corporation shall, upon receipt of written request to that effect, permit Members with specified ratings to avail higher Exposure Limits for specified days in the spot window. The permissible higher limit will be expressed as such multiple of NDC or Exposure Limit as may be notified by Clearing Corporation from time to time. Such higher limit may be availed of by a Member subject to its meeting the resultant Additional Initial Margin obligation as described in Regulation D(ii)(a) below;

If such higher Exposure Limits are allowed, Clearing Corporation shall after due notification be entitled to stipulate that the Member authorize Clearing Corporation to set aside Margins corresponding to the risk exposures on such positions. Any amount set aside in this manner shall not be available to the Member for use for any other purpose till the amount is released by Clearing Corporation. Such release shall usually happen after the Exposure Check process for the day is over and the positions have been duly secured by deposit of Margin by the Member.

vi. Provided that it shall be the responsibility of the Members availing such higher Exposure Limit to ensure that their limit utilization is always within the permissible Exposure Limit as may be applicable for the Settlement Date;

vii. The amount of net position which is in breach of the Member's Exposure Limit in any currency after the prescribed time on S day in the Forex Settlement Segment shall be Cash settled as set out in Regulation C(5) (h) Chapter VII on 'Exposure Control'.

C. MARGIN FACTOR

i. Clearing Corporation may set Margin Factor for each Member based on Value at Risk for USD/INR exchange rates for specified holding period or based on such other means as may be decided by Clearing Corporation. Clearing Corporation may from time to time, notify a minimum value for such Value at Risk based Margin factor

ii. Clearing Corporation, after due notification, may set higher Margin factors for some Members based on the ratings/gradings assigned to such Members on the basis of certain financial parameters including networth, asset quality etc. as considered necessary by Clearing Corporation from time to time.

iii. Clearing Corporation may from time to time notify the process for setting Margin factor.

iv. The Margin factors set for the Members shall be reviewed periodically and Clearing Corporation may alter such Margin factors based on such review under advice to the concerned Members.

v. Notwithstanding anything contained herein, Clearing Corporation shall be entitled to increase the Margin Factor for any Member, under advice to the Member, if Clearing Corporation is of the view, based on any adverse market report or adverse information available to it, that such increase is necessary to protect its own interest and/or the interest of its Members. The decision of Clearing Corporation in such case shall be final and binding.

D. MARGINS

i. Margin Requirements

a. Clearing Corporation shall prescribe requirements of Margins for the Forex Trades to be cleared and settled through Clearing Corporation and the Members shall furnish such Margins as a condition precedent to acceptance of such Trades by Clearing Corporation for Clearing and Settlement in this Segment.

b. Clearing Corporation shall make a Margin call if the Margin Obligation of a Member reaches a specified percentage of the Margin made available. Such specified percentage

shall be termed as 'Replenishment Level'. If a Margin call is made by Clearing Corporation, it shall be the responsibility of the Member to deposit additional Margin thereafter or submit Trades which cause reduction in Margin requirement so that the Margin Obligation of the Member as a percentage of Margin availability falls below the Replenishment Level.

c. Clearing Corporation shall however continue to accept Trades on account of such Member 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 deposited so as to bring the Margin requirement as a percentage of Margin availability on account of that Member to lower than the Replenishment Level as described above. Clearing Corporation may, however accept Trades for Clearing and Settlement without any further reference to the Member even after the Margin availability has breached the Rejection Level, if such acceptance is necessitated due to post Trade Exposure Check of Trades concluded on Forex Dealing systems of Clearcorp.

d. 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.

e. Clearing Corporation shall also make Margin call for Margin shortfall if any, at the end of the day. On receipt of notice towards any such Margin call, the Member shall arrange to provide additional amount as Margin by not later than the specified time of the next business day, so that the balance available as Margin is adequate to cover its Margin obligation (i.e. the Margin requirement as percentage of Margin available is below the Replenishment Level as described in Regulation D(i) (b) above).

ii. Margin Components

a. Additional Initial Margin

Additional Initial Margin (AIM) shall be applicable on positions of the Members in excess of Exposure Limits availed by them in terms of Regulation B (v) above. Additional Initial Margin shall be computed in the manner described in Chapter VII relating to Risk Management in these Regulations.

A Member who has not availed higher Exposure Limits in terms of Regulation B(v) above but has positions in excess of the Exposure Limits in any currency on account of Trades done in Forex Dealing systems shall also be required to deposit Additional Initial Margin.

b. Mark to Market Margin

i. Mark to Market Margin constitutes the Margin obligation required to be fulfilled by a Member on account of adverse price movements.

ii. Clearing Corporation shall also be entitled to collect MTM Margin on intra-day basis from the Members based on a process as notified by Clearing Corporation from time to time.

c. Volatility Margin

Volatility Margin comprises the Margin obligation required to be fulfilled by a Member in relation to sudden increase in market volatility and shall be applicable on outstanding Trades in respect of the Member and/or Securities contribution to MCC by the Member.

d. Concentration Margin

Concentration Margin constitutes the Margin obligation required to be fulfilled by a Member in relation to its 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 after due notification to its Members.

e. 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 the Clearing Corporation from time to time.

E. LIEN ON MARGINS

i. A Member's contribution by way of Margins either in the form of cash or securities shall be subject to a first and paramount lien for all sums due to Clearing Corporation.

ii. Margins shall be available in preference to all other claims against the Member for any due and proper fulfillment of its Obligations and liabilities arising out of, or incidental to, any deals made subject to Bye-Laws, Rules and Regulations of Clearing Corporation or anything done in pursuance thereof.

F SUSPENSION ON FAILURE TO PAY MARGIN

Notwithstanding anything contained elsewhere in these Regulations:-

i. If a Member fails to fulfill its Margin obligation at the close of business hours on the day following the day when a Margin call has been made, Clearing Corporation shall be entitled to temporarily suspend the membership rights of such a Member.

ii. A Member shall be liable to pay penalty as notified from time to time on the amount of Margin shortfall for the period of delay in fulfilling its Margin obligations. While computing penalty only Business Day may be reckoned provided such penalty and Margin shortfall is paid/replenished by the 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 Member will be termed as defaulter and the actual number of days including intervening holidays, Sunday and non-business days shall be reckoned for calculation of penalty amount.

iii. Clearing Corporation shall be entitled to recover additional penalties/ charges from the Member as per rates notified from time to time pertaining to Fees and Charges.

iv. The membership rights of a Member who has been subjected to temporary suspension due to non-fulfillment of Margin Obligation on more than three occasions in a calendar half year shall automatically come up for review.

v. Notwithstanding anything stated in Regulation F(ii) above, Clearing Corporation may stipulate higher penalty at the rate as notified from time to time when the Margin shortfall in any Member's account exceeds three occasions per calendar quarter.

G. MTM MARGIN CREDIT

MTM gains by the Member on account of Trades accepted for Clearing and Settlement may be allowed as Margin Credits in terms of Chapter VII related to Risk Management of these Regulations.

CHAPTER VI: SETTLEMENT SHORTAGES AND DEFAULTS

A.

I SETTLEMENT SHORTAGE

Failure of a Member to discharge its obligation to pay funds due from it on the Settlement Date shall be treated as a Settlement Shortage.

II DECLARATION OF DEFAULT

Member may be declared as a defaulter ("Defaulter") in this Segment:

a. If it does not make good this amount of Settlement Shortage referred to above within the specified Cut-Off Time.
b. If it fails to replenish Margin after its utilization has exceeded 100% of the Margins made available 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.
e. If it fails to replenish the Default Fund contribution within the time stipulated.
f. Due to any other circumstances as set out in the Bye-laws, Rules and Regulations.

Provided however, if the Member-in-shortage has been placed under moratorium or any other directions issued by the Regulator due to which such Member is not able to replenish the shortage, then, in that case, the appropriation of counter-value funds including its FX Collateral and/or MCC contributions may be initiated by Clearing Corporation without declaring such Member as a Defaulter.

B. DELIVERIES DUE TO THE MEMBER IN SHORTAGE

1. Clearing Corporation shall have the right to withhold the funds due to a Member in the event of non-delivery by that Member of INR funds;
2. Clearing Corporation shall have the right to withhold the INR funds due to a Member in the event of non-delivery of USD funds by that Member.
3. The amount to be with-held shall be computed as provided in Chapter IV (K) (B).

C. PENALTY FOR FAILURE TO GIVE OR TAKE DELIVERY

Clearing Corporation shall impose on a Member in shortage/Default, penalty and such other charges as notified from time to time. While computing penalty only business day may be reckoned provided such penalty and shortage Obligation is paid/replenished by the Member on the next business day. However, in the event of failure by a Member to honour its Obligation on the next BusinessDay, as above, the actual number of days including intervening holidays, Sunday and non-business days shall be reckoned for calculation of penalty amount.

D. SHORTAGE AND DEFAULT HANDLING PROCEDURE

1. Shortage/Default on USD Obligation

a. When a Member fails to deliver the required amount of USD to the credit of and in the account of Clearing Corporation with the Settlement Agent within the time as specified in the Window of Operations on the Settlement date, such failure on the part of that Member shall be termed as Settlement Shortage and shall be settled as follows:

b. Subject to the other provisions of these Regulations, Clearing Corporation shall make good, at the cost of the Member on whose account shortage has arisen in its USD account with its designated Settlement Agent, either by availing of a line of credit or overdraft facility available if any, or by borrowing from an Indian or overseas entity or by purchase of such currency against INR funds available or any other source of funding as Clearing Corporation may deem fit.

c. In the event that Clearing Corporation is unable to fully meet the shortage by the processes described in Regulation (D)(1) (b) above, the residual amount, (i.e., the amount by which the shortage exceeds the available resources as detailed in Regulation (D)(1) (b) above) shall be apportioned among the Members, hereinafter referred to as allocatee Members, who have a net receivable position in U S Dollars from Clearing Corporation in terms of allocation process notified by Clearing Corporation.

d. If Clearing Corporation resorts to the provision of Regulation (D)(1)(c) above, it shall have the authority to recover from the Member in shortage

   i. compensation as may be advised towards the delayed payment of the USD Obligation. Such compensation may, on recovery be passed on to the allocatee Members and;

   ii. charges and penalties as notified by Clearing Corporation;

e. In the event the U S Dollar Obligation is not received on the Settlement Date, the same is treated as a Shortage and the Member in shortage shall repay the amount of USD shortage before 12 noon (IST) on the next business day i.e., the business day immediately following the date of shortage to the credit of Member identified Settlement Bank Account. Provided that Clearing Corporation shall have authority to amend the prescribed cut-off time by giving appropriate advance notice to all Members;

f.

i. In the event Clearing Corporation has paid the INR funds to the Member in shortage against balances in the MCC in terms of Regulation (K)(B)(d) Chapter IV) of these Regulations, Clearing Corporation shall pending fulfillment of Settlement Obligations by the Member in shortage, immediately debit the account of such Member maintained with Reserve Bank of India with the INR pay-out made to the Member.

ii. The INR with-held or debited will be credited to the Member's account on receipt of confirmation regarding credit of the USD amount towards replenishment of shortage amount to the Member identified Settlement Bank account.

g. If the Member is not able to replenish the shortage before the cut-off time prescribed in Regulation (D)(1) (e) above or the Clearing Corporation has reason to believe based on information available with it that the Member in shortage will not be able to replenish the shortage upto the cut off time, Clearing Corporation may without further reference to the Member who failed to replenish the shortage, declare the Member as Defaulter. Upon such declaration, Clearing Corporation shall utilize the INR pay-out with-held to purchase the amount of USD in Default for Settlement on cash basis i.e., for same day Settlement to liquidate the arrangements that had been made by Clearing Corporation to meet the USD Default. The foreign currency shall be bought at the prevailing inter-bank exchange rate that Clearing Corporation is able to obtain in the inter- bank Forex market at the time of conversion. The exchange loss, if any, arising on account of such conversion, shall be met out of the Margins with-held by the Clearing Corporation in the account of the defaulter Member and loss in excess of the Margin shall be met by recourse to the Default Fund as outlined in Chapter VIII of these regulations. Clearing Corporation's decision in this regard shall be final and binding on the defaulting Member together with all costs and penalties relating thereto;

h. The Member shall pay the interest, charges and penalties arising on account of the Settlement shortage before 3 pm on the next business day (i.e., the business day immediately following the date of Settlement shortage.

Provided, however, the Managing Director or any authority appointed by Clearing Corporation's Board may exempt from payment of charges and penalties, instances of shortfall identified as technical shortages.

2. Shortage/Default in Indian Rupee Obligation

a. When a Member fails to deliver the INR funds towards the Settlement of its currency Obligations within the time as specified in the Window of Operations on the Settlement Date, such failure on the part of the Member shall be termed as a Settlement shortage and shall be settled as follows:

b. Clearing Corporation shall make good, at the cost of the Member, the shortage by availing of a committed line of credit facility from a credit supporter or borrowings or such other means as the Corporation may deem fit in this respect;

c. In the event that Clearing Corporation is unable to fully meet the shortage by the processes in Regulation (D)(2)(b) above, the residual amount, (i.e., the amount by which the shortfall exceeds the available resources as detailed in Regulation (D)(2)(b) above) shall be apportioned among the Members who have a net receivable position in INR from Clearing Corporation in terms of allocation process notified by Clearing Corporation.

d. The Member shall repay the INR funds before 10:30 AM on the next business date *(i.e., the business day immediately following the date of shortage)* to the credit of the specified Account of Clearing Corporation with the Reserve Bank of India. Provided that Clearing Corporation shall be authorized to amend the prescribed cut-off time by giving appropriate advance notice to all Members;

e. Clearing Corporation shall, upon verification and being satisfied about receipt of amount of INR shortage together with all interest, penalties and charges from the Member in shortage within the time limits prescribed in Regulation (D)(2) (d) above, instruct the Member identified Settlement Bank to release the USD funds payable to the account of the Member;

f. In the event of the Member in shortage not honouring its INR Obligation together with all charges, fees etc. within the time specified in Regulation (D)(2) (d) above, or the Clearing Corporation has reason to believe based on information available with it that the Member in shortage will not be able to replenish the shortage in INR up to the cut off time, Clearing Corporation may on the same day, without any further reference to the Member who failed to replenish the shortage, declare the Member to be a Defaulter. Upon

such declaration Clearing Corporation shall utilise USD withheld from delivery to the defaulting Member (in terms of Regulation B(1) above) to generate INR funds for Settlement on cash basis i.e., for same day Settlement to liquidate the arrangements that had been made to meet the INR Default. Such conversion shall be effected at the prevailing inter-bank exchange rate that Clearing Corporation is able to obtain in the interbank Forex market at the time of conversion. The exchange loss, if any, arising on account of such conversion, shall be met out of the Margins with-held by the Clearing Corporation in the account of the defaulter Member and loss in excess of the Margin shall be met by recourse to the Default Fund as outlined in Chapter VIII of these regulations. Clearing Corporation's decision in this regard shall be final and binding on the defaulting Member together with all interests, costs and penalties relating thereto;

E. EFFECT OF SETTLEMENT SHORTAGE/DEFAULT

The process outlined below will be initiated upon the occurrence of a Settlement shortage/Default:

1 The Exposure Limit available to Member in shortage/Default shall be restricted to the actual utilisation at the point of such occurrence within the Spot window pending Settlement of the shortage/Default Obligation. However, Clearing Corporation shall have the right to accept Trades of the Member which bring about a reduction in the limit utilization for the respective Value Date.

2 Such Member shall be liable to make payment equivalent to the shortage within the cut-off time notified by Clearing Corporation;

3 The Member in shortage shall be liable to make payment equivalent to the interest, charges, penalties and other levies within the cut-off time notified by Clearing Corporation

4 The FX Collateral contributions towards Exposure Limit and Margins of the Member in shortage/Default shall continue to be blocked pending Settlement of its Obligation;

5 In the event of the Member in shortage not making payment equivalent to the shortage together with interest, charges, penalties and other levies as described above, Clearing Corporation shall have the absolute right to declare the Member as a Defaulter and to appropriate the USD/INR funds withheld from delivery to the defaulting Member towards fulfillment of the Default Obligation;

6 In the event that the corresponding funds with-held, in terms of Regulation B(1) and B(2) above, are insufficient to cover the shortage/Default Obligation, Clearing Corporation

shall be authorised to appropriate the Member's contribution to FX Collateral , Margins and/or any other funds that may be due to that Defaulting Member towards the recovery of its shortage/Default Obligation;

F. Close-out of Trades of an insolvent Defaulter Member

1. If a Defaulter Member has been declared insolvent, Clearing Corporation shall be entitled to closeout all its outstanding Trades through auction or private placement. Any decision taken by the Clearing Corporation in this regard shall be final and binding.
2. Any loss from such close-out shall be recovered by Clearing Corporation from the Margins deposited by the defaulter Member or from any other money due to the defaulter Member. Any residual loss will be recoverable from the defaulter Member.

G. DEFAULT OF CLEARING CORPORATION

1. In the event 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

   Clearing Corporation or in the event RBI cancels Clearing Corporation'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. 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 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, 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.
4. Before paying out any amount under this Regulation, Clearing Corporation shall have the right to recover there from any amount payable by the Member to Clearing Corporation.
5. The close-out transactions shall be final and binding upon the Members.

H. FAILURE OF SETTLEMENT BANK

In the event of failure of a Settlement Bank, the loss, if any, shall be allocated to those Members who have opted to settle through that Settlement Bank in the manner as notified by Clearing Corporation.

CHAPTER VII: RISK MANAGEMENT

A. SCOPE

The provisions of this Chapter are outlines of the risk management policy of Clearing Corporation for its Forex Settlement Segment. Clearing Corporation have authority to improve upon after due notification, its policies relating to risk containment measures from time to time.

1. Clearing Corporation shall cover its risk through a prescription of:
   i. Currency-wise Net Debit Caps for each Member as defined in Regulation (AB) Chapter.
   ii. Margin Factor as defined in Regulation (C) Chapter V and collection of Margins by way of contribution to FX Collateral/ MCC in the form of USDINR cash, securities etc. as prescribed from time to time.
   iii. Currency-wise Exposure Limits for each Member worked as defined in Regulation (B) of Chapter V of these Regulations.

3. The risk exposures on the outstanding Trades of the Members shall be controlled through currency wise exposure limits supplemented by recovery of additional amount as additional initial Margin, if stipulated and other form of Margins. Marking to market of outstanding Trades shall also be carried out to capture risks from notional loss in the outstanding Trade positions of the Members;

4 Clearing Corporation may, after due notification, set prudential limit for each Member in terms of its aggregate outstanding Trade exposure on the Member (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 considered appropriate by Clearing Corporation. In the event of any Member exceeding such limit, Clearing Corporation may set higher Margin in the form of concentration Margin for the Member in respect of its Trades.

5 Mark to market Margin shall be collected based on Settlement Date-wise net USD buy or sale positions of the Member. Such Margin shall be computed using the INR/USD 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 prescribed.

6 Clearing Corporation may, after due notification, set certain pre-determined prudential limit in terms of its exposure on the Members measured in terms of the stress loss on the member and / or constituent portfolio. In the event of any Member exceeding such limit, Clearing

Corporation may collect Stress Loss Margin from the Member. The process followed for determining these thresholds and for imposition and withdrawal of Stress Loss Margin shall be as notified by Clearing Corporation from time to time.

B. MARK-TO-MARKET EXCHANGE RATES

1. INR/USD exchange Rates for pre-specified tenor points (Cash Date, TOM date and Spot date) shall be taken as basis.
2. Rates as above shall be treated as mid-rates which shall then be adjusted for Bid-Offer spreads. Net sale positions of the Members shall be valued using lower rates and net buy positions using higher rates.

C. PROCESS

1. For each Member, Exposure Limit in each currency shall be worked out on the basis of its balances in FX Collateral (except for the portion earmarked for meeting such Member's Additional Initial Margin, Mark to Market Margin requirements Volatility Margin and Concentration Margin requirements and Stress Loss Margin, if any) and the Margin Factor applicable for such Member Exposure Limit in US Dollar will be arrived at by dividing the USD balance in FX Collateral of the Member by the Margin Factor applicable for such Member.

   Exposure Limit in Indian Rupee will be arrived at by dividing the USD balance in FX Collateral of the Member (in equivalent INR at a specified rate) by the Margin Factor applicable for such Member.

   Such amounts are subjected to a maximum ceiling of the Net Debit Cap set for such Member. However, if a Member has opted for a lower Exposure Limit in terms of Regulation (B)(ii) Chapter (V), such lower amount would be the ceiling.
2. Exposure limits for a Member shall be re-worked as and when there is any change in the balance in FX Collateral for such Member (due to withdrawal, deposit or re-valuation, if any) or for any change in the currency-wise NDC or Margin Factor. Clearing Corporation shall arrive at the net payable amount in USD by a Member in respect of the matched Trades pertaining to such Member for the respective Settlement Date and such net amount shall be compared with the applicable Exposure Limit in USD for the Member before acceptance.

Clearing Corporation shall also arrive at the net payable amount in INR by a Member in respect of the matched Trades pertaining to such Member for the respective Settlement Date and such net amount shall be compared with the applicable Exposure Limit in INR for the Member before acceptance.

If net payable amount as described in Regulation C(2) above for a Settlement Date are found to be within the respective Exposure Limit as defined in Regulation C(1) above or such increased limit as per Regulation (B)(v) of Chapter V, all such Trades for such Member shall be accepted for Clearing and Settlement by Clearing Corporation subject to the Member meeting any additional Margin requirements, if any, in terms of Regulation (E) below.

Exposure check shall be carried out online for cash, tom and spot Trades. However, it shall commence two days before Settlement Date for Forward Trades and netted positions, if any, for the Member received from the Forex Forward Segment and / or the FX Options Segment. Netted position from the Forex Forward Segment however will be reckoned for Exposure Check on a priority basis.

5. Exposure Control

a. All eligible Trades received directly from Members and/or from Forex Dealing systems 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'. Trades which pass through Exposure Check shall be accepted for Clearing and Settlement by the Clearing Corporation.

b. Exposure check for all Trades shall be carried out on an online basis during the business hours as notified by Clearing Corporation.

c. All Matched Trades including netted positions, if any, received from Forex Forward Segment and the FX Options Segment shall be subjected to Exposure Check.

d. Trades matched post the cut-off time as notified by Clearing Corporation shall be subjected for Exposure Check on the next business day.

e. Clearing Corporation shall arrive at the net position of each Member and thereafter check the matched Trades for ensuring that the Trades are within the INR and USD Exposure Limits availed by that Member and are also adequately supported.

f. Trades which result in a breach either due to inadequacy of Exposure Limits or due to inadequacy of Margins shall remain in queue and be eligible for consideration for exposure

check as per process prescribed. However, Trades received from Forex Dealing System, and netted positions and netted positions received from the FX Options Segment shall be subject to Exposure Check on a post Trade basis and could be accepted for Clearing and Settlement by Clearing Corporation even in case of a Margin/limit breach. The Member will be under the obligation to meet such Margin breach without any delay. In case of a limit breach, the Member shall bring its positions within its applicable limits without any delay.

g. A Member that has availed higher limits in terms of Regulation (B)(vi) of Chapter of these Regulations or has a netted position received from Forex Forward Segment or has a netted position received from the FX Options Segment, shall be required to ensure that the net-positions from its outstanding Trades are within the limits allowed for the respective Settlement Dates and is within the Exposure Limit on the Settlement Date by the cut off time notified by Clearing Corporation.

h. In the event the Member continues to be in breach of its Exposure Limit at the prescribed cut-off time on S day, the position in breach beyond the liquidity limit of CCIL and forward position pending acceptance in spot window due to inadequate margins, s and forward position pending acceptance in spot window due to inadequate margins, shall be Cash Settled as per the process notified by Clearing Corporation:

i. The cash Settlement shall be effected by way of allocation of such positions first to the Members breaching Exposure Limits in the other currency on S day at the notified time, to the extent such allocation is possible without any breach of exposure limit in the counter currency.

ii. Clearing Corporation shall have the right to allocate the balance amount, if any, to the top ten Members having highest receivable position in the currency of breach. Allocations shall be in proportion to the net receivable position of such Members as per process notified.

iii. The deals arising out of Cash Settlement shall be with Clearing Corporation as counterparty.

Such Members to whom allocations have been made shall be referred as Allocatee Members.

iv. Allocation advice would be sent to both, the Allocatee Members and to those Members whose sale positions are cash settled, by Clearing Corporation after the allocation has been effected.

v. An Allocatee Member may buy U S Dollar/INR, to the extent of allocation, from the market for the same Settlement Date and if it has done so, it can upon intimation to Clearing Corporation, claim that the allocation of the sale position to it be effected using the rate at which it has purchased U S Dollars/INR as increased/decreased by an amount per USD as notified by Clearing Corporation from time to time. Such intimation must be received by the Clearing Corporation in the format specified before 1:30 . on Settlement Date for the position considered for allocation.

vi. Provided that if the rate at which the Allocatee Member has bought US dollars/INR as above is identified as an outlier by Clearing Corporation or the Allocatee Members do not notify any purchase of US dollars/INR, INR/USD Cash rate as polled by Clearing Corporation at time notified on S day shall be used as increased by an amount per USD as decided by Clearing Corporation in due consultation with the Members and notified by Clearing Corporation from time to time. The decision by Clearing Corporation in this regard would be final.

vii. The Member whose sale positions are cash settled due to breach of Exposure Limit on S day shall be liable to make good any amount of loss/shortfall arising out of cash Settlement.

i. Clearing Corporation reserves the right to levy the Member on whose account cash Settlement is resorted to such charges and penalty as may be notified from time to time. A Member shall not be permitted to breach its Exposure Limit (i.e. allowed to get sale Trades in any currency accepted by the Clearing Corporation for Clearing and Settlement beyond a limit which may result in net sale amount for such Member in such currency for a given Settlement Date being in excess of the exposure limit), except in the event of a Unscheduled Holiday (USH) as outlined in Regulation (B)

Chapter IX or specifically approved by Clearing Corporation as outlined in Regulation C(6) below.

6. Temporary Enhancement of Exposure Limit

6.1 A Member desirous of a temporary enhancement of the Exposure Limit for a Settlement Date shall give in writing prior notice to Clearing Corporation. Clearing Corporation shall consider such application on merits subject to the Member agreeing to arrange an amount equal to 100% of the additional limits sought by it in the respective currency.

6.2 Clearing Corporation may upon receipt of credit of funds in its nostro account with the Settlement Bank/RBI, permit such temporary enhancement over and above the Exposure

Limit as set out in Regulation (B) (i) of Chapter V of these Regulations and as per the process notified.

6.3 Clearing Corporation may also, subject to an overall limit as decided from time to time, enhance the Exposure Limit in USD for the Member for a Settlement Date against an undertaking furnished by the Member and upon ensuring that the Member has issued the relevant payment instructions for deposit of USD amount for which enhancement is sought. Provided that if such amount has not been credited to the account of Clearing Corporation with its Settlement Bank within the stipulated cut-off time as may be notified, Clearing Corporation shall be entitled to treat the failure to deliver funds before the cut-off time as an instance of delayed payment/shortage in terms of Regulation (M) Chapter IV of these Regulations and initiate appropriate action.

6.4 The Member shall be allowed to utilize the amount pre-funded as per Regulation (C) (6.2) above towards fulfillment of the Settlement Obligation for the respective Settlement Date. Any amount deposited in excess of the final net-Obligation shall be returned to the Member.

7. Mark to Market Margin

7.1 Members shall be liable to maintain mark to market Margin in respect of adverse positions on their outstanding Forex Trades.

7.2 Settlement date–wise net USD positions of the Members 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. Such profit or loss will be aggregated Member-wise.

7.3 If the above computation shows net MTM loss at an aggregate level, such amount shall be collected as MTM Margin from such Member. 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.

7.4 A Member's mark to market 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.

7.5 Provided that, if a Trade is not reported by either of the counter-party Members 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 Members, Clearing Corporation shall be entitled to recover Mark to Market Margin for such Trade before acceptance for Clearing and Settlement.

7.6 Provided further that if a Trade has been done by a Member 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, as MTM Margin, before acceptance of such Trade.

7.7 If a Member has concluded Trades for both buying and selling of U S Dollar for a Settlement Date and such Trades has resulted in a net loss for the Member from offset between buy and sale Trades computed on a first in first out basis, such loss would also be payable by the Member as Mark to Market loss.

7.8 The mark to market Margin on accepted forward positions from the Forex Forward Segment as well as the FX Options Segment which enter the spot window shall be transferred to the Forex Settlement Segment. The mark to market Margin on spot Trades arising from exercise of accepted FX Option Trades which enter the spot window shall also be transferred to the Forex Settlement Segment.

7.9 Clearing Corporation may also collect intra-day MTM Margin in terms of the process as prescribed.

7.10 Any loss/shortfall on account of Cash Settlement of the Trades of a Member, over and above the MTM Margin collected on such Trades, shall be recovered as additional Margin at the time of Cash Settlement.

7.11 In the event of failure by a Member to discharge its Obligations for a Settlement Date, the MTM Margin, of such Member for such Settlement Date would be used to meet any shortfall.

8 Mark to Market Gains

a. In case net Mark to Market value of accepted Trades of a Member as at the end of the day is positive, Clearing Corporation may, after due notification to the Members, allow such amount, net of haircut, if any, as Margin Credit. If such credit is allowed, Clearing Corporation may also adjust such Margin Credit due to any intra-day revaluation of such Trades.

b. Margin credits shall be transferred to Forex Settlement Segment for net positions arising out of Forward Trades from both the Forex Forward Segment as well as the FX Options Segment and spot Trades arising from exercise of accepted FX Option Trades, once such Trades are transferred to the Forex Settlement Segment.

c. Margin Credit shall be withdrawn on the day of Settlement after the Final Net Position Report for the day is generated.

d. In the event of such withdrawal of MTM Margin Credit resulting in Margin shortfall for any Member, Clearing Corporation shall have the right to withhold the USD or INR funds due to such Member to the extent of such shortfall in terms of Regulation (8) of Chapter VII of these Regulations.

e. If Settlement proceeds are held back as per Regulation 8(d) above, the withheld amount would be released by Clearing Corporation 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. 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 "Settlement Shortages and Defaults". The proceeds of such sale shall be credited to MCC.

9. Void Trades

1. Notwithstanding any other provisions, Clearing Corporation shall, after due notification of a policy in this regard, have the right to treat a Trade as void if it is of the opinion that the Trade is executed at a prices that could adversely affect market integrity or if such Trade is cancelled by Clearcorp;
2. Clearing Corporation shall also after due notification of a policy in this regard, have the right to treat Trades concluded on the trading system of Clearcorp void in case of any system disruption/malfunction in Trade acceptance process,
3. Trades treated as void in such events set out in sub-Regulation (1) and (2) above shall be deemed to be void ab initio. No liability whatsoever shall accrue to Clearcorp / Clearing Corporation and/or any of its officials for not clearing and settling such void Trades in terms of this provision.
4. Clearing Corporation shall be entitled to recover any liability from any Member arising out of treating the Trades as void for the purpose of Clearing and Settlement.

D. VOLATILITY MARGIN

1.1 Volatility Margin shall be applied at the rates decided by Clearing Corporation. It shall be applied on the Members outstanding Trades accepted for Clearing and Settlement. The Members shall be duly notified before any imposition

1.2 Such Margin as determined by Clearing Corporation may be imposed by it at any time during the day and as a result the exposure limits set for the Members may get reduced

1.3 Members will be notified by Clearing Corporation prior to the collection and/or application of volatility Margin.

1.4 Upon imposition of Volatility Margin, if it is observed that the Exposure limit of any Member in a currency is inadequate to cover the outstanding Trades accepted by Clearing Corporation on account of the Member, it shall be the responsibility of the said Member to replenish the shortage as directed by Clearing Corporation.

E. ADDITIONAL INITIAL MARGIN

1.1 Members who seek higher Exposure Limits in terms of Regulation (B)(v) of Chapter V of these Regulations shall be required to provide additional Margin over and above the initial Margin made available by them in terms of Regulation (B)(iv) of Chapter V of these Regulations. Such Margins will be termed as Additional Initial Margin;

1.2 For arriving at the Additional Initial Margin obligation of a Member, higher of the net USD exposure for all the days in the Spot Window and the net USD exposure in the Spot Window after excluding such exposure on Cash Date in its account will be arrived at Such amount will be multiplied by one-third of Margin Factor applicable for Spot Date for the Member;

1.3 If the amount as in 1.2 above, exceeds the Initial Margin deposited by the Member, such amount shall be payable as additional initial Margin;

F. VALUATION OF SECURITIES IN MCC

1.1 The securities contributed by Members to MCC shall be subject to a valuation exercises on each valuation day as prescribed by Clearing Corporation. The Clearing Corporation may also change the frequency of such valuation after due notification.

1.2 Clearing Corporation shall, specify Hair-cuts on the respective market value as per rates decided for eligible securities from time to time. Such haircut rates shall be notified from time to time.

1.3 At every instance of deposits and / or withdrawals from its MCC balance in account of the Member shall be appropriately increased or decreased as the case may be.

1.4 Valuation for USD securities given by Members as contribution to MCC shall be computed by the Clearing Corporation based on the valuation provided by the Custodian.

CHAPTER VIII: DEFAULT FUND

A. PURPOSE:

i. Clearing Corporation shall maintain a dedicated Default Fund in respect of its Forex Settlement 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 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 may be notified by Clearing Corporation from time to time.

iii. The minimum contribution of a Member 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.

D. COMPOSITION

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

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

iii. 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.

iv. 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 security concentration thresholds beyond which hair cut rates of securities deposited as Collateral may be stepped up;

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

vi. 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 as per Regulation "F" of this Chapter

ii. Clearing Corporation shall be authorised 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 all contributions by Members to Default Fund in the form of securities shall accordingly be governed by the said RBI Rules and Regulations and instructions.

iv. Clearing Corporation shall have the right to utilize either the cash and/or 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 per Regulation "F" of this Chapter in such sequence of application as may be determined by Clearing Corporation to be appropriate.

v. 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. No interest shall however be paid for such cash utilisation towards the Default Fund.

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

F. RECEIPTS AND DELIVERIES OF 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 'C' above;

ii. A Member shall be required to contribute to Default Fund upon notice received from Clearing Corporation. Such deposits shall be payable 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 the 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;

vii. 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~~;~~

viii. 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.

ix. 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 Regulation (F) of Chapter II of this Regulations;

x. 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.

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 Regulation (F) Chapter II of these Regulations;

xii. 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 haircut 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 as notified by Clearing Corporation from time to time.

I. UTILISATION

i. Where a Member is declared as defaulter in terms of Regulation (A)(II) of Chapter VI of these Regulations), 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 the excess contribution of the defaulter entity in any other Default Fund account with 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 to their required contributions to Default Fund at the time of handling such Default. 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 the Default Fund in terms of Regulation B of this Chapter.

f) And then by allocation of the residual loss to the Default Fund accounts of non-defaulting Members after replenishment of the balances in these accounts in terms of Regulation J(iii) of this Chapter.

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. 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)(i)(d) and (I)(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 a process duly notified in this regard, treat the Collateral available in a Member's Default Fund account in excess of its required contribution, 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 Member's Default Fund account in excess of its required contribution 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 of the Default Fund, in terms of Regulation 'B' above of this Chapter;

ii. In the event, that the Member's contribution to the Default Fund has been utilized to meet the shortfall of a defaulter, the Member shall be required to replenish the balance required to fulfill its contribution to the Default Fund, within a maximum period of one business day from such utilization or such other number of days as may be notified by Clearing Corporation from time to time;

iii. In the event that the Member's contribution to the Default Fund is found to be inadequate to meet the shortfall of a defaulter after allocation of shortfall in terms of Regulation I(i)(d) and I(i)(f) above of this Chapter, the Member shall be required to deposit such additional sums forthwith to bring the balance in the account to the required quantum in terms of Regulation C(ii) above of this Chapter;

iv. In the event of failure of a Member to contribute to Default Fund within the time period specified as per J(ii) above of this Chapter, Clearing Corporation shall treat such failure as default in terms of Chapter VI of these Regulations and the Member be liable for the consequential action thereon as specified in Chapter VI of these Regulations.

v. The maximum contribution of a Member towards replenishment of its contribution to Default Fund for the Forex Settlement Segment in the 30 days' period immediately after the loss threshold as referred in Regulation (F)(I)(1)(ii) and (F)(I)(2)(ii) 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, subject to a monetary ceiling as 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.

vi. The amounts mentioned in (v) above as maximum contribution for a Member and the threshold as referred in Regulation (F)(I)(1)(ii) and (F)(I)(2)(ii) of Chapter II of these Regulations shall be reviewed periodically by the 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 shall be accounted for by the Clearing Corporation in the reverse order of utilization of its resources as described in Regulation I(1) above of this Chapter. If any such amount recovered is to be apportioned to the non-

defaulting Members then Clearing Corporation shall return the same (by credit to its Default Fund account, in the form of cash or eligible securities of equivalent market value) pro- rata to the respective amounts appropriated and not exceeding the amount of contribution so appropriated.

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 the squaring off of the Trades of such Member as per Regulation–I (i) (b) 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 IX: CHARGES

A) SCHEDULE OF FEES AND CHARGES

1. The Board or any Committee appointed by the Board or other official(s) of Clearing Corporation authorized by the Board in that behalf shall prescribe the fees, charges, levies, taxes and/or penalties payable by Members for services provided by Clearing Corporation from time to time;
2. The Board or any Committee appointed by the Board or any other official(s) of Clearing Corporation authorized by the Board in that behalf shall be empowered to review the various fees, charges, levies, and/or penalties and effect such changes in the same as it considers necessary;

3 The schedule of such charges payable by Members shall be notified by Clearing Corporation from time to time;

B) BILLS FOR FEES AND CHARGES

1. Clearing Corporation shall render to the Members monthly bills relating to its fees and charges for the services provided by Clearing Corporation;
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 fees and charges relating to services rendered in the immediately preceding month;
3. The Members shall review their monthly bills and notify Clearing Corporation of discrepancies, if any, with all necessary details latest within two days from the date of notification of the relative bill;

C) RECOVERY OF FEES AND CHARGES

1. Members shall effect payment of the fees and charges payable by them to Clearing Corporation in terms of their monthly bills (as per Regulation (B) above) as may be notified from time to time, by the 10th calendar day of every business month quoting their Member ID and key words as specified in the statement failing which Clearing Corporation shall be entitled to levy penalty on such Member for the delayed payment of charges if it deems fit and appropriate.

2. Penalties and/or other levies shall be payable by the Members separately as and when such demand is made on a Member by Clearing Corporation.
3. For a Settlement shortage/Default on the USD leg, the penalty computed shall be converted to INR using the Reference Rate announced by the Reserve Bank of India on the date of the Settlement shortage.

CHAPTER X: HOLIDAY HANDLING

A. MODIFIED BUSINESS DAY

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 already reported by Members to the Clearing Corporation.

Clearing Corporation shall modify the Value Dates of all matched Forward Trades reported by Members as follows:

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

Provided that, if the holiday known is greater than 3 business date and is a month-end, the Settlement Date shall be shifted to the preceding business date.

B. UNSCHEDULED HOLIDAY

A holiday declared (in India or in the United States of America within 2 business days due to the occurrence of unforeseen events or circumstances (i.e. within Spot window) shall be termed as an Unscheduled Holiday (USH).

a) In the event of an Unscheduled holiday, either in Mumbai or in New York the Settlement in both currencies shall be shifted to the next business day.

Settlement of all Trades *(Matched, Netted, Accepted and Pending acceptance on account of Exposure violation)* including netted Trades received from Forex Forward Segment and the FX Options Segment and their underlying Trades due for Settlement on the day of the USH shall be postponed to the next business day.

II. Risk Management process

1. Clearing Corporation shall freeze the Exposure Limits of all Members for the day of USH to the utilized level and no further Trades shall be accepted after declaration of holiday by Clearing Corporation.

   In the event of breach in the Exposure limit of the Member on account of obligations due on USH being aggregated with obligations arising from Trades already accepted for the next business day, the Member shall arrange to credit U S Dollar/INR funds to the account of Clearing Corporation an amount equal to 100% of the position in excess of the limit within the stipulated cut-off time for pre-funding as notified. Provided that if such amount has not been credited to the account of Clearing Corporation with its Settlement Bank within the stipulated cut-off time as may be notified, Clearing Corporation shall treat the failure to deliver funds before the cut-off time as an instance of delayed payment/shortage in terms of Regulation (M) of Chapter IV of these Regulations and initiate appropriate action.

2. Provided that Clearing Corporation shall not be obligated to postpone the Settlement to the next working day if, in the opinion of the Regulator, such postponement may have adverse market impact.

CHAPTER XI: MISCELLANEOUS

1) LIMITATION OF LIABILITY OF CLEARING CORPORATION

a) Clearing Corporation shall not be deemed to guarantee the title, ownership, genuineness, regularity or validity of any security or any document passing through Clearing Corporation and shall not in any manner whatsoever be and/or deemed to be associated with and/or be responsible for, the underlying transactions of the relatives Trades;

b) The only obligation of Clearing Corporation shall be to facilitate clearing, Settlement, delivery and payment of funds between Members in consideration of the Members fulfilling all the requirements of these Regulations and Bye-Laws and such other Rules and other requirements prescribed by Clearing Corporation from time to time. Provided that no claim, liability and/or responsibility shall rest with Clearing Corporation and/or any of its officials in the event of such clearing, Settlement, delivery and payment of securities and/or funds are not facilitated for reasons beyond the scope and control of Clearing Corporation.

Glossary of changes to Forex Settlement Segment Regulations

Sr.	Chapter/ Clause	Existing Clause	Revised Clause	Rationale
1.	**CHAPTER V: NET DEBIT CAP, EXPOSURE LIMIT AND MARGINS** **D) MARGINS** **i. Margin Requirements**	***New Insertion***	e. 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 the Clearing Corporation from time to time.	←Language supplied in view of introduction of Stress Loss Margins.
2.	**CHAPTER VII: RISK MANAGEMENT**	**A. SCOPE** ***New Insertion***	6. Clearing Corporation may, after due notification, set certain pre-determined prudential limit in terms of its exposure on the Members measured in terms of the stress loss on the member and / or constituent portfolio. In the event of any Member exceeding such limit, Clearing Corporation may collect Stress Loss Margin from the Member. The process followed for determining these thresholds and for imposition and withdrawal of Stress Loss Margin shall be as notified by Clearing Corporation from time to time.	**←Language supplied in view of introduction of Stress Loss Margin.**

3.	**CHAPTER VII: RISK MANAGEMENT**	**C. PROCESS** 1. For each Member, Exposure Limit in each currency shall be worked out on the basis of its balances in FX Collateral (except for the portion earmarked for meeting such Member's Additional Initial Margin, Mark to Market Margin requirements Volatility Margin and Concentration Margin requirements, if any) and the Margin Factor applicable for such Member Exposure Limit in US Dollar will be arrived at by dividing the USD balance in FX Collateral of the Member by the Margin Factor applicable for such Member.	**C. PROCESS** 1. For each Member, Exposure Limit in each currency shall be worked out on the basis of its balances in FX Collateral (except for the portion earmarked for meeting such Member's Additional Initial Margin, Mark to Market Margin requirements Volatility Margin and Concentration Margin requirements and Stress Loss Margin, if any) and the Margin Factor applicable for such Member Exposure Limit in US Dollar will be arrived at by dividing the USD balance in FX Collateral of the Member by the Margin Factor applicable for such Member.	**←Addition on account of introduction of Stress Loss Margin.**