



Risk Management Department

No. RMD/SS/18/98

28th Sep'18

FOR INFORMATION OF ALL MEMBERS

Securities Segment – Resignation from membership Loss Threshold as per Chapter II, Clause E

We invite your attention to our Notification No. RMD/SS/16/22 dated 04th Jul'16. With the introduction of tri-party repo clearing services, the afore-mentioned notification has been revised and the changes implemented have been underlined.

2. In terms of Clauses E(1)(A)(b) and E(1)(B)(b) Chapter II of the Regulations for the Securities Segment, a member shall have the right to submit resignation from the membership of the Securities Segment if it has taken a cumulative loss through replenishment of its contribution to any one / both the Default Funds in this segment and a loss threshold as notified has been reached.

3. The loss threshold as referred therein will be reached when Default Fund contributions of the non-defaulter members in this segment have been used up in the past 12 months for meeting defaults of other members to the extent of twice the value of the combined Default Fund quantum (i.e. cumulative across the Securities Default Fund (SEC-DF) and the Tri-party repo Default Fund (TPR-DF)) in this segment as on the date of last regular monthly re-computation. For example, if the cumulative Default Fund quantum for the segment is at Rs 500 Crores (Rs. 400 crores for SEC-DF and Rs. 100 crores for TPR-DF) at the time of last re-computation (i.e. last month-end), for non-defaulting members who avail clearing services in all transactions (including tri-party repo transactions) cleared by CCIL, the threshold will be reached if the contributions of the non-defaulters members used for meeting defaults of other members in past 12 months reaches Rs. 1000 Crores. Such threshold will be applicable for all such members and may be reached by contribution to either SEC-



DF or TPR-DF or to both default funds. For members not availing clearing services in tri-party repos, only the quantum of SEC-DF will be considered for this purpose. Similarly for members availing only tri-party repo clearing services, only the quantum of TPR-DF will be considered for this purpose.

4. In addition, if a member has taken a cumulative loss through replenishment of its contribution to any one / both the Default Funds for the segment for meeting defaults of other members and the total amount of such loss in the past 12 months is in excess of 4 times its highest cumulative contribution to both default funds during this period, the threshold as in 2 will be considered as reached exclusively for the said member.

For example, if the combined size of the two Default Funds (SEC-DF – Rs. 400 crores and TPR-DF – Rs. 100 crores) for a segment is Rs 500 Crores at the time of last re-computation (i.e. last month-end), threshold for all such members will be reached if the use of contributions of non-defaulter clearing participants to SEC-DF and TPR DF (combined together) for meeting defaults of other clearing participants reaches Rs 1,000 Crores in the past 12 months. However, if the use of contributions of non-defaulter clearing participants is at Rs 900 Crores (i.e. at less than Rs 1,000 Crores); but for a member which has contributed say Rs 200 Crores towards its default fund contribution (SEC DF and TPR DF combined) for meeting the shortfall due to default by other members and cumulative highest contribution of the said member in the past 12 months to both the default funds has been less than Rs 50 Crores (i.e. it has already contributed more than 4 times of its highest contribution in past 12 months for meeting default of other clearing participants), the threshold will be considered as having reached for the said member.

5. In terms of Clause J(5) of Chapter XVI these Regulations, the maximum contribution of a member (who chooses to resign from the segment) towards replenishment of its contribution to any / across both the Default Funds in the 7 days period from the receipt of resignation after the loss threshold as defined in paras 3 and 4 above having been reached shall not exceed 5 times of its cumulative contribution to the said Default Funds based on the last re-computation of the Default Funds for this segment or Rs.6,250 Crores whichever is lower.



6. This notification will come into effect from 29th October'2018 and supersedes our notification No. RMD/SS/16/22 dated 04th Jul'16 in this regard.

For The Clearing Corporation of India Ltd.

Sd/-

Managing Director
