# THE CLEARING CORPORATION OF INDIA LIMITED

# RULES


| CHAPTER | DESCRIPTION | PAGE NO. |
|---|---|---|
| I | Introduction | 2 |
| II | Powers of the Board | 3-5 |
| III | Management Committee | 6 |
| IV | Membership | 7-17 |
| IVA | Clearing Member | 18 |
| V | Settlement | 19-20 |
| VA | Member Common Collateral/ Collateral | 21-28 |
| VI | Default | 29-30 |
| VII | Risk Management | 31-37 |
| VIII | Code of Conduct | 38-40 |
| IX | Records, Annual Accounts & Audit | 41 |
| X | Dispute Resolution Proceedings | 42-45 |
| XI | Miscellaneous | 46-48 |


Updated in **November**, 2026

These Rules may be called the Clearing Corporation of India Ltd., Rules, 2009 (As amended in November, 2026).

**APPLICABILITY**

These Rules shall be applicable to all Members admitted to The Clearing Corporation of India Limited.

## CHAPTER II: POWERS OF THE BOARD

1) The Board is empowered to organise, maintain, control, manage, regulate and facilitate the operations of Clearing Corporation and all activities of the Members of Clearing Corporation.

2) The Board is empowered to make Bye-Laws, Rules and Regulations from time to time, for all or any matters relating to the conduct of business of Clearing Corporation and to control, define and regulate all such transactions and dealings and to do all such acts and things as are necessary for the purposes of Clearing Corporation.

3) Without prejudice to the generality of the foregoing, the Board is empowered to make Regulations in respect of all or any of the following matters:

3.1 conduct of business by Clearing Corporation;

3.2 appointment and dissolution of Committee or Committees for any purpose(s) of Clearing Corporation;

3.3 manner or mode of operation and interfacing with the Regulator , FIMMDA, FEDAI, or any other organizations representing the interest of the Members and Regulatory Authority(ies);

3.4 norms, procedures, terms and conditions for admission to or continuance or cessation of Membership of Clearing Corporation;

3.5 conduct of Members with regard to the business of Clearing Corporation;

3.6 fixation, collection and maintenance of margin from Members;

3.7 charges payable by Members for business transacted through Clearing Corporation as may be laid down from time to time;

3.8 maintenance of records and books of accounts by Members as may be specified from time to time;

3.9 investigation into the financial condition, business conduct and dealings of the Members;

3.10 prescription and administration of penalties, fines and other consequences for non-compliance with or contravention of or violation of any provisions of Bye-Laws, Rules and Regulations;

3.11 disciplinary actions to be taken against any Member and procedures therefor;

3.12 penalties for non-compliance with or contravention of Bye-Laws, Rules and Regulations of Clearing Corporation or of the general discipline of Clearing

Corporation, including those for suspension or expulsion of the Members;

3.13 declaration of any Member as a defaulter or suspension, resignation or expulsion from Membership of Clearing Corporation and consequences thereof;

3.14 such other matters in relation to Clearing Corporation as may be prescribed under Bye-Laws, Regulations or these Rules or as may be necessary or expedient for the organization, maintenance, control, management, regulation and facilitation of the operations of Clearing Corporation.

4) The Board is empowered to delegate, from time to time, to an Executive Committee(s) or any other committee(s) or to the Managing Director, such of the powers vested in it and on such terms as it may think fit, to manage all or any of the affairs of Clearing Corporation and from time to time, to revoke, withdraw, alter or vary all or any of such powers.

5) The Board may, from time to time, constitute one or more committees comprising of Members of the Board or such others as the Board may in its discretion deem fit or necessary and delegate to such committees such powers as the Board may deem fit and the Board may from time to time revoke such delegation.

6) The Board shall have the authority to issue directives from time to time to the Executive Committee or any other Committee(s) or any other person or persons to whom any powers have been delegated by the Board. Such directives issued in exercise of this power, which may be in the nature of policy or may include directives to dispose of a particular matter or issue, shall be binding on the concerned Committee(s) or person(s).

7) The Board or any Committee of the Board, to whom powers have been delegated by the Board, is empowered to add, vary, amend, repeal all and/or any of Bye-Laws, Rules and Regulations of Clearing Corporation and such addition, variation, amendment, repeal of the Bye-Laws, Rules and Regulations shall, upon notification to members, be deemed to have been accepted by the members.

## CHAPTER III: MANAGEMENT COMMITTEE

### 1. CONSTITUTION

The Board may appoint one or more Management Committee(s) for the purposes of managing the day-to-day affairs of the different segment(s) of Clearing Corporation. The Board may decide on the constitution, duration and powers of the Management Committee(s), nomination and withdrawal of the nominees from the Management Committee(s) and appointment of office bearers including the terms and conditions governing such appointment, and rules and procedures for the functioning of the Management Committee(s).

### 2. POWERS OF MANAGEMENT COMMITTEE

The Management Committee(s) shall carry out and implement all directives issued by the Board from time to time and shall be bound to comply with all the conditions of delegation and perform within the limitations of the powers of the Management Committee(s) as may be prescribed.

## CHAPTER IV: MEMBERSHIP

### 1. GENERAL

1.1 Rights, privileges, duties and responsibilities of a Member shall be subject to and in accordance with Bye-laws, Rules and Regulations of Clearing Corporation. The Board or any Committee constituted by the Board for this purpose or any authority vested with such powers by the Board, may define and admit a Member for anyone segment or for different segments and may specify different norms including eligibility, admission, continuation and cessation of Membership and fees thereof for each segment.

1.2 The Board or any Committee or Authority appointed by the Board for the purpose shall specify pre-requisites, conditions, formats and procedures for application for admission, continuation, termination, re-admission of Members to all or any of the segments of Clearing Corporation. The Board may, at its discretion, for the reasons recorded therefor refuse permission to any applicant to be admitted as Member to all or any of the segments;

The fees, security deposit, contribution and other money (ies) as specified by the Board shall be payable on or before admission as Member and for continued Membership thereof.

### 2. ELIGIBILITY

2.1. The following eligibility criteria shall apply for membership to all the Segments of Clearing Corporation:

The Member shall:

a) Have fulfilled Capital Adequacy norms / Minimum Net Worth requirements as laid down by their respective regulators; if no such norm is prescribed or if the applicant is exempted from fulfilling the same, then the applicant shall have adequate Net Worth to support the scale of operations undertaken or proposed to be undertaken. The financial eligibility criteria shall be applicable to respective category of entities as notified by Clearing Corporation.

b) be a profitable organization (must have reported operating profits in atleast two out of three financial years immediately preceding the date of application);

Provided that, Clearing Corporation at its discretion may exempt any entity as specified in 2.1 (a) above, from the requirement of Sub-rules (a) and (b) above.

2.2 The following additional eligibility criteria shall apply for grant of Membership to the "Securities Segment" of Clearing Corporation:

The applicant shall:

a) be a Bank/ Financial Institution /Primary Dealer/ Mutual Fund Payments Bank/ Small Finance Bank/ NBFC/ Insurance Company or a Statutory Corporation or a body corporate including a Company as defined in the Companies Act, 2013 or any entity as may be permitted from time to time by Reserve Bank of India to access its E- Kuber or Negotiated Dealing System- Order Matching (NDS-OM) segment or any part thereof;

b) have opened SGL Account;

c) have opened a Current Account with the Reserve Bank of India / Settlement Bank;

Provided however that Clearing Corporation may relax the requirement of the maintenance of Current and SGL Accounts in respect of the Members;

d) be a Member of RBI–E-Kuber and INFINET;

e) not have any record of repeated failure in complying with the regulatory requirements;

f) not have been subject to an order of statutory disqualification or an order of similar effect issued by any regulatory authority;

g) have adequate risk management systems in place and shall have qualified personnel in its employment;

2.2.1 Under Securities Segment, Associate Members are admitted for undertaking Triparty Repo trades. The following eligibility criteria shall apply for associate membership:

The applicant shall:

a. be eligible to undertake Triparty Repo trade in terms of RBI guidelines;

b. open GILT Account with Clearing Corporation;

c. maintain Current Account with a bank(s) identified as settlement bank(s) by Clearing Corporation for settlement of transaction(s);

d. be familiar with treasury operations;

e. have experienced and qualified personnel in its treasury and/or finance departments who have the requisite experience required for undertaking trading, clearing and settlement operations;
f. have adequate risk management systems in place;
g. not have any record of failure in honoring its obligations to the market intermediary, which shall be duly certified by its internal auditors;
h. not have been subject to an order of statutory disqualification or an order of similar effect issued by a regulatory authority;

2.3 The following additional eligibility criteria shall apply for grant of Membership to the "FOREX" segment of Clearing Corporation:

The applicant shall –

a) be an Authorized Foreign Exchange Dealer;
b) have a current account with the Reserve Bank of India for settlement of transactions in Indian Rupees;
c) be a Member of RBI–E-Kuber and INFINET
d) have a Nostro Accounts(s) with its Correspondent(s);
e) have adequate risk management systems and policies in place and qualified personnel in its employment;

2.4 The applicant seeking Membership to the Forex Forward Segment shall:

a. be a member of the Forex Settlement Segment of Clearing Corporation;
b. have adequate risk management systems and policies in place and qualified personnel in its employment.

2.5. The applicant seeking Membership to the FX Options Segment shall:

a. be permitted by Reserve Bank of India to enter into FX Option Trades.
b. be a member of the Forex Settlement Segment of Clearing Corporation.
c. have adequate risk management systems and policies in place and qualified personnel in its employment.

2.6 The following additional eligibility criteria shall apply for grant of Membership to the "Rupee Derivatives and the Rupee Derivatives Guaranteed Settlement Segment":

The applicant shall belong to a class of entities permitted by Reserve Bank of India,

and by the relevant Sectoral Regulator, where applicable, to enter into Rupee Derivative Trades.

i) For availing the facility of non-guaranteed settlement, the applicant shall also maintain a current account with Reserve Bank of India for settlement of transactions in Indian Rupees.
ii) For membership to the Rupee Derivatives (Guaranteed Settlement) segment, the entity shall:
    a. maintain a current account with Reserve Bank of India or a bank identified as Settlement Bank by Clearing Corporation for settlement of transactions in Indian Rupees.
    b. have adequate risk management systems and policies in place and qualified personnel in its employment

2.6 Notwithstanding anything contained in this Chapter, any Member desirous of contributing securities to MCC, shall be required to maintain an SGL Account.

2.7. No entity shall be admitted as a Member of Clearing Corporation if –

a) proceedings for winding up have commenced or if it has been ordered to be wound up or a provisional liquidator / receiver / official liquidator has been appointed for such an entity;
b) has compounded with its creditors for less than full discharge of debts save if such acts of compounding as are carried out in the normal course of its business as a part of a restructuring process;
c) it has been barred by an order of a Court / Government / Regulatory body for any violation of law or any legal order;
d) has been at any time declared a defaulter under any Law or by any regulatory body;
e) has been previously refused admission to Clearing Corporation unless the period of one year has elapsed since the date of last rejection;

Notwithstanding anything contained herein, the Board shall have the power to amend, alter, vary or exempt the eligibility criteria for admission to Membership.

## 2.3 ADMISSION

1) Clearing Corporation shall constitute a Committee of Directors and / or the Managing Director or any authority appointed by the Board from time to time (hereinafter referred to as "the Approving Authority") to screen and approve all requests for Membership.
2) Any person desirous of becoming a Member shall apply to Clearing Corporation for admission to the Membership of the relevant segment of Clearing Corporation in such formats as may be prescribed by the Clearing Corporation from time to time.
3) The application will have to be submitted along with such fees, security deposit and other monies in such form and in such manner as may be specified from time to time.
4) The applicant shall have to furnish such declarations, undertakings, certificates, confirmations and such other documents or papers as may be specified from time to time.
5) The Approving Authority shall screen all requests for Membership based on the criteria of Membership approved by the Board for the segment to which Membership has been sought by the applicant.
6) Any person whose request for Membership to any of the business segments of Clearing Corporation has been rejected may prefer an appeal in writing to the Board within thirty days of receipt of rejection advice.
7) The Approving Authority shall have the authority to call for any information at such periodical intervals as it considers necessary, to evaluate the admissibility or continuance of a membership.
8) The Clearing Corporation may at any time from the date of admission to Clearing Corporation withdraw / cancel the admission / order of expulsion from Membership if a Member is found to have:-
    a) made any misrepresentation; or
    b) suppressed any material information; or
    c) has directly or indirectly given false particulars or information or given a false declaration.
9) Membership to Clearing Corporation only creates a bare personal and non-transferable right to settle transactions through Clearing Corporation; it does not in any manner constitute the grant or creation of any beneficial or

ownership interest in the Clearing Corporation.

10) A Member shall not assign, mortgage, pledge, hypothecate or charge its right of Membership or any rights or privileges attached there to nor shall it have the right to give license or grant power of attorney in respect of such rights and privileges; no such attempted assignment, mortgage, pledge, hypothecation or charge or license or power of attorney shall be recognized as effective as against Clearing Corporation for any purpose, nor shall any right or interest in any Membership other than the right or interest of the Member therein be recognized by Clearing Corporation. Clearing Corporation may suspend any Member who acts or attempts to act in violation of the provisions of this rule or take any other disciplinary action as it may deem fit.

**4. CONDITIONS**

1) Members shall adhere to Bye-Laws, Rules and Regulations of Clearing Corporation and shall comply with such operational parameters, rulings, notices, guidelines and instructions of Clearing Corporation as may be applicable.
2) Members shall furnish declarations, undertakings, confirmation and such other documents and papers relating to such matters and in such forms as may be prescribed by Clearing Corporation from time to time.
3) Members shall furnish to Clearing Corporation such audited and / or unaudited financial or qualitative information and reports / statements and in such manner as may be required by Clearing Corporation from time to time.
4) Members shall extend full cooperation and furnish such information and explanation and in such form and manner as may be required by Clearing Corporation for inspection or auditor in regard to any Trades settled through Clearing Corporation and / or other related matters.

**5. MEETINGS OF MEMBERS**

1. Meetings of Members shall be convened as and when found necessary by Clearing Corporation.
2. A Member, who is desirous of convening a meeting of the Members of the

concerned segments, shall give a prior notice, in writing in that behalf, of atleast 14 business days to Clearing Corporation and brief reasons for the same. Clearing Corporation, after receiving such notice for convening the meeting, may in its discretion accept or reject the request with or without assigning any reason and intimate the decision to such Member within 14 days after receipt of such request. Provided that such rejections shall be authorized by the Managing Director.

3. In case of acceptance of request for convening a meeting of Members, Clearing Corporation shall fix a date and agenda for the meeting and give notice of such meeting to all Members of the concerned segment.
4. Minutes Book of the meetings of Members shall be recorded in the Minutes Book maintained for the purpose which shall be available for inspection by Members with prior written notice of atleast one business day. Extracts of such minutes shall be made available to Members of the concerned segment upon a demand in writing against payment of such amount as may be specified by Clearing Corporation from time to time.
5. One fourth of the total number of Members of the concerned segment attending the meeting shall constitute the requisite quorum for the meetings of Members. In the absence of requisite quorum within thirty minutes of the scheduled commencement time, the meeting shall be adjourned to a later date to be fixed by Clearing Corporation without conducting any business. Such adjourned meeting, when held at the time and date so fixed, shall conduct the business even in the absence of the requisite quorum.

   Provided however, that in case of a meeting convened by the Clearing Corporation at the instance of a Member, the meeting shall stand dissolved if requisite quorum is not present within thirty minutes of the scheduled commencement time.
6. The Managing Director of Clearing Corporation shall be the Chairman of the meetings of Members and in his absence any official of Clearing Corporation as nominated by the Managing Director, shall conduct the meeting.
7. Every Member is entitled to vote in the meeting for the concerned segment and every Member present in person shall have one vote. Proposal at such

meetings shall be accepted by majority of the votes cast for the resolution.

8. Suggestions for changes in Bye-Laws, Rules and Regulations arising out of the deliberations of the meetings of Members shall be submitted to the Board through a copy of the minutes of the meeting. The Board may consider the suggestions and take a decision in the matter. The decision of the Board shall be final and binding on all the members.

## 6. ANNUAL MEMBERSHIP REVIEW

6.1 Clearing Corporation will carry out an Annual Review of all its admitted and Active members to ascertain members' continuing adherence to Clearing Corporation's admission level criteria.

6.2 Every member shall be required to submit the necessary financial information as per their Audited Financial position as at the end of the relevant financial year.

6.3 Members shall furnish declarations, undertakings, confirmation and such other documents and papers relating to processing of their annual membership review and in such forms as may be prescribed by Clearing Corporation from time to time.

6.4 Members shall furnish to Clearing Corporation such audited financial or qualitative information and Audit reports / statements and in such manner as may be required by Clearing Corporation from time to time.

6.5 Members shall extend full cooperation and furnish such information and explanation and in such form and manner as may be required by Clearing Corporation for inspection or audit in regard to their processing of their Annual Review and continuation of their membership.

6.6 All information (including but not limited to any financials/ reports/ any other information) referred hereinabove from 6.2 to 6.5 shall be furnished in a timely manner or as may be specified by Clearing Corporation from time to time.

## 7. CESSATION OF MEMBERSHIP

1. A Member shall cease to be a Member by its:
   (a) Resignation;
   (b) Expulsion in accordance with the provisions contained in Bye- Laws, Rules and Regulations after a reasonable notice in writing to the

Member.

(c) Voluntary or Compulsory winding up of the Company or dissolution of the firm.

(d) Failing to adhere to any of the Membership conditions / criteria for the segment to which it has been admitted as a Member after a reasonable notice in writing to the Member.

2. The cessation of Membership shall not in any way absolve the Member from any obligations and liabilities incurred by the Member prior to such cessation or any future liability that may arise subsequent to cessation arising out of its membership of Clearing Corporation.

3. The cessation of Membership will be without prejudice to the rights of Clearing Corporation to proceed against such Member to enforce its rights as per Bye-Laws, Rules and Regulations.

## 8. RESIGNATION

1. A Member who intends to resign shall intimate to Clearing Corporation in writing giving a notice of atleast one month to that effect.
2. Notice of resignation so received pursuant to Rule 7.1 above shall be circulated among all the Members of the concerned segment of Clearing Corporation within a period of one week from the date of receipt of such notice.
3. Any Member of Clearing Corporation objecting to any such resignation shall communicate the grounds of its objection to Clearing Corporation by letter within a period of one week from the date of such advice by Clearing Corporation.
4. All requests for resignation from Membership shall be decided by the Board or by the Approving Authority appointed by the Board from time to time and/or as specified in respect of the various segment Regulations
5. The Board or the Approving Authority may accept the resignation of a Member either unconditionally or on imposition of such conditions as it may think fit. The Approving Authority or the Board may refuse to accept such resignation until it is satisfied that all outstanding transactions with the Member have been settled.
6. Notwithstanding the above, the Regulations of various Segments may set

out procedures and/or circumstances for resignation to Membership.

## 9. FAILURE TO PAY MARGINS OR CONTRIBUTE TO MCC

Save as otherwise provided in Bye-Laws, Rules and Regulations of Clearing Corporation, if a Member fails to pay the Membership fees or contribution to the MCC or margins, fines, penalties, transaction charges, other charges or other monies which may be due to Clearing Corporation within such time as Clearing Corporation may prescribe from time to time after notice in writing has been served upon the Member by Clearing Corporation, the said Member may be suspended until the Member makes payment. If within a further period of time as may be specified by Clearing Corporation, the concerned Member fails to make such payment, it may be declared a defaulter or may be expelled by Clearing Corporation.

## 10. FAILURE TO CONTRIBUTE TO DEFAULT FUND

Save as otherwise provided in Bye-Laws, Rules and Regulations of Clearing Corporation, if a Member fails to contribute towards the Default Fund, the said Member may be barred from further participation in the segment until the payment is made.

## 11. RE-ADMISSION OF DEFAULTERS

A Member's right of Membership shall lapse and vest with the Board immediately after it is declared a defaulter. The Member who is declared a defaulter shall forfeit all its rights and privileges as a Member of Clearing Corporation, including any right to use of or any claim upon or any interest in any property or funds of the Member with Clearing Corporation until such Defaulter Member is re-admitted as a Member.

## CHAPTER IVA: CLEARING MEMBER

1. Member(s) may settle their Proprietary Trades and their Constituent Trades in terms of the Regulations of the respective Segment.
2. Clearing Corporation may identify a Member as a Clearing Member for the purpose of clearing and settlement of Constituent Trades. A Clearing Member so identified may continue to provide such service, unless suspended or ceases to be a Clearing Member under the Bye-Laws, Rules and Regulations of Clearing Corporation.
3. Clearing Corporation may prescribe from time to time the eligibility criteria, norms, procedures and terms and conditions for the Clearing Members of respective Segments.
4. A Clearing Member shall be solely responsible for the clearing and settlement of Trades of its Constituents in terms of the Bye-Laws, Rules and Regulations of the respective Segment.
5. Clearing Corporation shall only recognize and rely on transactions received from Clearing Member. Clearing Member shall be directly and wholly liable to Clearing Corporation in respect of all its Constituents, the Constituent Trades, shortages, defaults and margin requirements.
6. Clearing Corporation shall have no liability to any Constituent of a Clearing Member.
7. Clearing Member shall notify Clearing Corporation giving full details of any events or matters which relates to the Clearing Member's clearing activities and exposure to general and financial risks, including any risk arising from the its Constituents as under the Regulations of the respective segments.
8. Clearing Member shall forthwith provide to all its Constituents all reports relating to the Constituents as soon as the same is made available to the Clearing Member by Clearing Corporation.

## CHAPTER V: SETTLEMENT

### 1. SETTLEMENT REGULATIONS FORM PART OF CONTRACTS

The Rules from time to time in force relating to any procedure for settlement of Trades and the resolutions, notices, directions and decisions of Clearing Corporation for the time being in force shall form part of the terms and conditions of every contract for all accepted Trades.

### 2. CONTRACTS SUBJECT TO CHANGE IN SETTLEMENT PROCEDURE

a) Clearing Corporation may at any time through a notice in that behalf bring in to effect in respect of any accepted Trade any amendments in any settlement procedure or in any reporting procedure or in the time schedules prescribed or the forms prescribed therefore as and when such changes become necessary due to changes in the procedures for settlement of relative Trade by Settlement Agency / member, RBI or any other regulatory authority.

b) Notwithstanding anything to the contrary contained in these Rules, Clearing Corporation may for reasons to be recorded in writing from time to time extend or postpone the time for settlement of transactions whenever in its opinion such action is called for on account of the circumstances beyond the control of Clearing Corporation and take such steps and actions as may be required to give effect to the same.

### 3. REPORTING OF TRADES

Trades executed by Members shall be reported to Clearing Corporation in such manner and form and within such period of time as may be prescribed from time to time.

## 4. SETTLEMENT OBLIGATIONS OF MEMBERS

Obligations in respect of all Trades between the Members shall be settled by delivery and payment between the parties in accordance with the provisions in that behalf contained in the Regulation or such other provisions as Clearing Corporation may from time to time prescribe in addition thereto or in modification or substitution thereof.

## 5. CLEARING AND SETTLEMENT PROCESS

a) Settlement of Trade may be on a Multilateral Netting basis or Gross Basis or Trade for Trade basis or any other basis including through the process of close-out of trades as may be decided by Clearing Corporation on its own or as directed by the Regulator from time to time.

b) Obligations of Members arising there from are in the nature of either effecting/ receiving delivery and paying / receiving funds, which shall constitute the Settlement Obligations of the Member.

## 6. TYPES OF SETTLEMENT

Trade may be categorised by the kinds of Trade, basis, mode and manner of settlement into different settlement types by the Regulations relating to the concerned segment from time to time.

## 7. MODES OF DELIVERY

Clearing Corporation may from time to time prescribe different modes of deliveries and the conditions to which such deliveries may be subject to.

## 8. MODE OF PAYMENT

Clearing Corporation may from time to time prescribe different modes of payments and the conditions to which such payments may be subject to.

## CHAPTER VA: MEMBER COMMON COLLATERAL /COLLATERAL

### A) PURPOSE

1. Clearing Corporation shall maintain a 'Member Common Collateral' to meet any risk arising out of Settlement Shortage/ Default or in discharging the obligation of a Member in any Segment either for itself, or for its Constituents or for any other Member. Provided however that, Clearing Corporation may also maintain Segment specific Collateral (such as 'TPR Collateral' or 'FX Collateral' etc.), wherever required.
2. Members shall contribute to the MCC in accordance with Bye-Laws, Rules and Regulations of the respective Segments. MCC contribution made by a Clearing Member on its own account shall be kept segregated by Clearing Corporation from the MCC contribution made by the Clearing Member on account of its Constituents.
3. The contributions made by Members to MCC towards Constituent(s) may be identified for each Constituent 'individually' and / or for 'group(s) of Constituents', as notified by Clearing Corporation from time to time;
4. Clearing Members shall contribute and maintain minimum MCC (cash / Securities) for each of their Constituents and groups of Constituents, as per the Regulations of the respective Segment and as notified by Clearing Corporation from time to time;
5. Except for the limited purpose of Porting as provided for under the Bye-Laws, Rules and Regulations, Clearing Corporation shall take no account of any right or interest which any person other than the Member may have in the MCC;
6. MCC shall be utilized for such purposes as may be provided for in Clearing Corporation's Bye-Laws, Rules and Regulations including but not limited to meet the default obligations /shortfalls and/ or any other dues arising out of the Clearing and Settlement undertaken by Clearing Corporation or as part of its day-to-day operations.
7. MCC may be utilized for the Margin obligations of the Member for its Proprietary Trades and/or its Constituent Trades in any of the Segments as provided in these Bye-Laws, Rules and Regulations of the respective Segment.

### B) COMPOSITION

1. MCC shall be formed with contributions from Members in the form of cash and eligible Government Securities;

**2.** Every Member shall make cash contribution to MCC as per the requirement of the respective Segment and as notified by Clearing Corporation from time to time.

2.1 Such cash contribution required for Clearing Member(s) shall be separate for Proprietary Trades and Constituents' Trades. In case of Constituent Trades, the Clearing Member shall maintain such cash contribution together for all its Constituents. However, in case of any deficiency in such cash contribution by Clearing Member for its aggregated Constituents' Trades in any of the Segment(s), the excess cash available in MCC for Proprietary Trades may be reckoned for such deficiency.

2.2 The proportion of the cash to Government Securities to be maintained by the Member, in each of the Segment(s), may be changed by Clearing Corporation from time to time; Provided that, Clearing Corporation may permit Members to provide all contributions to MCC in the form of 'cash', towards their Proprietary Trades and / or Constituents' Trades (separately for each Constituent or group of Constituents).

2.3Clearing Corporation shall specify the Eligible Security for contribution to MCC. Any security which does not form part of the Eligible Security so specified, shall not be reckoned towards the MCC contribution of a Member;

Provided that Clearing Corporation may specify 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 MCC and/ or have Securities concentration thresholds beyond which Haircut rates of Securities deposited as Collateral may be stepped up;

**3.** A Member shall upon admission, in any of the Segments of Clearing Corporation, be required to make such contributions before Clearing Corporation accepts Trades from the Member for Clearing and Settlement;

**4.** A Member's contribution to MCC shall cover its Margin obligations towards 'initial margin', 'mark to market margin' and/or any other margin as may be prescribed as per the Chapter titled "Risk Management" under the Regulations of the respective Segment;

**5.** Member's Margin contributions as in Regulation B (3) above shall cover the aggregated Margin obligations of each Segment, separately towards the Proprietary Trades and Constituent Trades received for settlement. Clearing Corporation may further cover the Margin obligations separately for each Constituent or for a group of Constituents in such Segment;

**6.** A Member shall at all times ensure that its contributions to MCC are adequate to cover the margin requirements on the outstanding Trades accepted for settlement by Clearing Corporation in each Segment as per the Chapter titled "Risk Management" under the Regulations of the respective Segment.

## C) INTEREST ON CASH CONTRIBUTIONS TO MCC

**1.** A Member may be entitled to receive interest at quarterly rests (i.e. at the end of every calendar quarter) on the INR 'cash' provided under the MCC in accordance with the Regulations of the respective Segment.

## D) ADMINISTRATION

**1.** Clearing Corporation shall have discretion/ control over the administration, and/or utilization of cash margins deposited by its Members towards MCC. Clearing Corporation shall be authorized to invest the cash contributions received from Members, in Government Securities, bank deposits or such other instruments as may be decided by Clearing Corporation from time to time in accordance with its Investment Policy.

**2.** The contributions made by Members to MCC in the form of securities shall be held in the designated CSGL Account of Clearing Corporation and/ or Gilt Account of the Member and its Constituent(s) under Clearing Corporation's CSGL Account with the Regulator. The rules and regulations governing CSGL Accounts and such other instructions, as are issued by Regulator in this regard shall be applicable to this account.

**3.** Clearing Corporation shall have the right to utilize any of the securities contributed to MCC by any Member and held in the CSGL Account and/ or Gilt Account to meet shortfalls and/ or deficiencies in the Clearing and Settlement process arising either out of a settlement shortage by the Member or any other Member in such sequence of application as may be determined by Clearing Corporation to be appropriate.

**4.** Clearing Corporation shall also be authorized to pledge, hypothecate, create any charge and/ or encumbrance over securities deposited in MCC for availing of a line of credit/ repo facilities from Regulator, banks, institutions and/ or other market participants including non-members, for the purpose of Clearing and Settlement of the transactions reported to it.

**5.** In the event of the utilization of cash /securities contributed by a Member to MCC for the purpose of meeting the shortage of another Member, the Member-in-shortage shall be

required to replenish the said funds/security immediately on the next Business Day along with the coupon amount in case the security had an intervening coupon between the date of shortage and date of replenishment by such Member within the Cut-Off Time prescribed for the purpose.

Provided that if the security enters a "Shut Period" for redemption during the interim period, replenishment shall be effected in the form of cash equivalent to the redemption proceeds including coupon payment due on such security by the Member who has committed the security shortage. Such utilization shall not have any bearing on the margin made available by the original holder of the relative security. The original holder shall be entitled to receive coupon as if the security was still in its possession.

**6.** In the event of Clearing Corporation not being in a position to replenish the security to the original holder of the security at the end of two Business Days following the utilization, the original holder of the Security shall be entitled to receive cash compensation on the third Business Day. The cash compensation shall be paid at the market price of second day and shall be credited as Cash contribution to MCC.

**7.** In the event of Clearing Corporation resorting to payment of cash compensation in terms of Regulation (6) above by utilization of defaulting Member's MCC contribution, such payment shall simultaneously result in an appropriate reduction in defaulting Member's MCC contribution. The Member shall be required to provide appropriate replenishment towards its contribution to MCC by depositing Eligible Securities and/or cash, as the case may be.

**8.** Clearing Corporation shall have a paramount lien on contributions made by any of its' Members to MCC, towards any amount due from such Members on account of recovery of losses, charges, penalties or any other amount due to Clearing Corporation. Clearing Corporation shall be entitled to utilize the contributions or the proceeds arising out of the contribution, if in the form of securities, to appropriate towards recovery of losses, charges, penalties or any other amount due to Clearing Corporation and any default obligations/ shortfalls/ deficiencies and/ or any other dues of such Member arising out of the Clearing and Settlement operations undertaken by Clearing Corporation in any Segment as part of its day to day operations.

## E) WITHDRAWAL FROM MCC

**1.** Members shall be entitled to withdraw their contributions from MCC in excess of their obligations to cover their Margin requirements in all the Segments and/ or any other amount payable to Clearing Corporation, by giving prior notice as notified by Clearing Corporation from time to time in the format prescribed for this purpose;

For the purpose of permitting such withdrawals, a Clearing Member's Margin obligation shall include the Margin requirement for its Constituent(s) / group of Constituents across the Segments, which is in excess of the Margin contributed by the Clearing Member for the Constituent(s)/ group of Constituents, as the case may be in addition to the Margin obligation for its own Proprietary Trades.;

Explanation: The term Margin requirement referred hereinabove shall mean:

**a)** in case of individual Constituent accounts, the Margin obligations across the Segments and

**b)** in case of groups of Constituents, Margin obligation or the Margin allocated (whichever is higher) for each individual Constituent, aggregated for all constituents in that group across the segments.

Members shall ensure, at the time of lodging withdrawal request of excess contributions from MCC, whether cash and/or securities, that the cash component of their contributions to MCC towards Proprietary Trades and Constituent(s) Trades,(individual Constituent or for group of Constituents, as the case may be) does not fall below the prescribed ratio in respective Segments after such withdrawal is effected. Further, the Clearing Member shall also ensure that the MTM value of Securities contributed as Margin adjusted for the applicable Haircut, for the Constituent(s) does not fall below the value of Margin reported as allocated for such Constituent(s) in terms of the Regulations of the respective Segment.

**2.** Clearing Corporation may, at any time reject a withdrawal request from a Member who is a defaulter or has been placed under a moratorium or under any other directions of Regulator/ Sectoral Regulator or any other authority.

## F) RECEIPTS AND DELIVERIES OF SECURITIES

**1.** Members shall contribute Eligible Securities to MCC as notified by Clearing Corporation from time to time in multiples of market lots. Members shall deposit only such securities, as notified by Clearing Corporation to MCC which are free from any encumbrances;

**2.** Members shall arrange to directly deposit their contributions of Eligible Securities to MCC as per the MCC work flow process notified by Clearing Corporation from time to time;

**3.** Members shall ensure that all relevant details as required by the Regulator to carry out such transactions in the relative CSGL / GILT Accounts are furnished. 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 contributions to MCC;

**4.** Members shall be entitled to receive credit for deposits of securities into MCC upon receipt of confirmation from the Regulator that the securities have been credited into the CSGL Account of Clearing Corporation. Such credit shall be reckoned for the purpose of Margin computation in respect of a Member / its Constituent(s) when such credit intimation is received from the Regulator;

**5.** Members shall be entitled to withdraw securities from their contributions to MCC by giving prior notice as notified by Clearing Corporation from time to time.

Provided that, if such notice for withdrawal is received in respect of a security falling into Shut Period or utilized for handling the security shortage and / or for availing liquidity for handling the funds shortage of any of the Members and rendering such delivery as impossible, then such notice shall be considered to be invalid;

**6.** Withdrawal of securities by Members shall result in a corresponding reduction in their MCC balances as and when instructions to transfer such securities to the Members are issued by Clearing Corporation;

**7.** Members shall be entitled to substitute securities deposited as contribution to MCC by giving prior notice as notified by Clearing Corporation from time to time. 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.

Provided that if such notice for substitution is received in respect of such securities as are falling into Shut Period or utilised for handling the security shortage and / or for availing liquidity for handling the funds shortage of any of the Members and rendering such substitution as impossible, then such notice shall be considered to be invalid;

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 MCC.

## G) CASH CONTRIBUTION TO MCC - PAYMENTS AND RECEIPTS

**1.** Members shall effect cash contributions to MCC as notified by Clearing Corporation from time to time in relation to their respective Margin obligations;

**2.** Members shall arrange to deposit their contributions to MCC as per the MCC work flow process notified by Clearing Corporation from time to time.

**3.** Clearing Corporation shall not in any manner be responsible for any consequences that may arise on account of non-receipt of funds from Members towards their cash contributions to MCC;

**4.** Members shall be entitled to receive credit for their cash deposits into MCC upon receipt of confirmation from the Regulator/Settlement Bank/Bank, of credits into the Current Account/RTGS settlement account/any other specified account of Clearing Corporation. The impact of such credit in the Members' MCC shall be reckoned at the time when credit intimation is received from the Regulator / Settlement Bank/Bank as the case may be;

**5.** Withdrawal of cash contributions by Members shall be with prior notice as prescribed by Clearing Corporation from time to time. Such withdrawal shall result in a corresponding reduction in such Members MCC balances before instructions to transfer such amounts to the Members are issued to the Regulator/Settlement Bank/Bank (as the case may be) by Clearing Corporation.

## H) CORPORATE ACTIONS ON SECURITIES CONTRIBUTED TO MCC

**1.** Periodical interest receivable by the Members on their Securities contributed to MCC shall be received by Clearing Corporation for and on behalf of the Members in the manner and mode prescribed by the Regulator in respect of CSGL Accounts;

**2.** Interest received by Clearing Corporation shall be 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;

**3.** Clearing Corporation shall not be responsible for servicing corporate actions on such Securities held by Members in its MCC which are ineligible for MCC contribution;

**4.** Members shall monitor their securities contributions to MCC to ensure that the securities falling due for redemption are withdrawn from MCC 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

and its Constituent(s) in the manner and mode prescribed by the Regulator in respect of CSGL Accounts;

**5.** Redemption proceeds received by Clearing Corporation in accordance with para H-4 shall be treated as Members cash contribution to MCC for its Proprietary Trade or Constituent Trade, as the case may be.

**I)** Clearing Corporation shall provide periodic MCC Statement of Securities holdings and cash contributions to Members.

J) **PORTING OF CONSTITUENT TRADES AND MARGINS HELD ON BEHALF OF CONSTITUENTS**

1. Clearing Corporation may initiate Porting in the event of default of the Constituent's existing Clearing Member.
2. Clearing Corporation shall return the Margins received from the Clearing Member on behalf of Constituents to another CSGL account holder, as per the instruction of the respective Constituent, provided however that: i) there are no Trades pending for Settlement for such Constituent or ii) where the Trades have already been ported to another Clearing Member.

## CHAPTER VI: DEFAULT

### 1. DECLARATION OF DEFAULT

A Member failing to deliver the securities and / or funds due from it or fulfill its margin obligations or default fund contributions or failure to pay the charges as stipulated under the Regulations may be declared as a defaulter.

### 2. FOLLOW-UP ACTION

In the event of default by a Member, Clearing Corporation shall initiate follow-up actions as per the procedure set forth in the Regulations for the segment to which the Member has been admitted.

### 3. RECOVERY OF DEFAULT

a) In the event of default by a Member in delivering any security or paying foreign currency funds due from the Member, Clearing Corporation shall at its discretion buy the said security or foreign currency funds from the market and recover the cost of such purchase from the defaulting Member. In the event of default by a Member in payment of Indian Rupees. Clearing Corporation shall at its discretion sell the security or foreign currency funds withheld on account of such default in the market and recover the cost of such sale from the defaulting Member.

b) Clearing Corporation shall be irrevocably authorized to close out the trades of the defaulter member through allocation to bilateral counter- parties or through auction process or otherwise as prescribed and/or to dispose of the security (ies), due to defaulter and / or contributed to its MCC/ Default Fund by the defaulter by way of sale or otherwise towards the settlement of its claim. Clearing Corporation shall also be at liberty to appropriate the funds due to defaulter and / or contributed to its MCC/ Default Fund.

c) Clearing Corporation shall effect such recovery by debit to the Member's current account without any further reference to the concerned Member.

**4. COST OF MEETING DEFAULT OBLIGATION**

Clearing Corporation shall recover from the defaulting Member the cost of funding the shortfall on account of the defaulting Member together with all out-of-pocket expenses, handling charges, penalties and other charges, if any.

## CHAPTER VII: RISK MANAGEMENT

### 1. PROCESS

Clearing Corporation shall manage the risk of Clearing and Settlement by collecting margins / collaterals in the form of securities and funds and by arranging back up liquidity as may be specified in respect of the various segments.

### 2. EXPOSURE CONTROL

#### 2.1 Securities Segment (Outright/ Repo trades)

a.) A Value at Risk (hereinafter referred to as "**VaR**" in Rules and Regulations) based initial margin model shall be set up for risk and exposure control for the trades in the Securities Segment. Apart from initial margin, Clearing Corporation may, from time to time, collect margins including in the form of mark to market margin, volatility margin, concentration margin, stress loss margin, etc. Clearing Corporation may also set up maximum limit in terms of amounts of the trades upto which a Member may be allowed to clear and settle through Clearing Corporation.

b) For acceptance of trades, Clearing Corporation shall verify adequacy of the balances in the Margin accounts of the Members as against the exposures that Clearing Corporation takes on the Members on their outstanding Trades in this segment.

c) The margin computation algorithm used in the model adopted for verifying adequacy of Margins of Members shall be spelt out in the Regulations for the segment. Member shall internally assess the margin requirements on their outstanding Trades and make appropriate margin contributions as and

when necessary. Clearing Corporation shall also be entitled to periodically re-assess margin requirements of the Members and the Members shall be required to bring in additional margins, if so required by Clearing Corporation.

d) Additional risk control measures for trades concluded on the trading system operated or managed by Clearcorp may be prescribed. This may include setting maximum limit for size of an order, disablement of a Member from trading system on reaching certain margin utilization level as prescribed. Clearcorp may also be required in such cases to allow Members to access trading system only on risk reduction mode and allow collection by Clearing Corporation of margins based on orders without allowing offset between buy and sale orders. Clearcorp may also be required to ensure that accumulated orders in the trading system do not exceed limits specified by Clearing Corporation in this regard.

2.1.1 **Securities Segment – (Triparty Repo Trades)**

a) Clearing Corporation shall determine permissible borrowing limits for the Members based on mark to market values of the securities deposited with it by them in their GILT Accounts. The computation of such limits shall be in accordance with the procedure laid down in the Securities Segment Regulations.

b) Initial Margin shall also be stipulated for the borrow and lend orders as spelt out in Securities Segment Regulations. Apart from initial Margin, Clearing Corporation may, from time to time, collect Margins including in the form of mark to market margin, volatility margin, concentration margin, stress loss margin, etc. Clearing Corporation may also set up maximum limits in terms of amounts upto which a member may be allowed to trade.

c) For accepting trades, Clearing Corporation shall verify adequacy of Margins placed by the members as against the exposures that Clearing Corporation take on them for their outstanding trades in this segment.

d) The Margin computation algorithm used in the model shall be spelt out in the Regulations for the segment and in related notifications issued by Clearing Corporation. Members shall internally assess the margin requirements on their outstanding trades and make appropriate margin contributions as and when necessary. Clearing Corporation shall also periodically re-assess margin requirements of the members and the members shall be required to bring in additional margins if so required by Clearing Corporation.

e) Additional risk control measures for trades concluded on the trading system operated or managed by Clearcorp may be prescribed. This may include setting maximum limit for size of an order, disablement of a Member from trading system on reaching certain margin utilization level as prescribed. Clearcorp may also be required in such cases to allow the Member to access trading system only on risk reduction mode and allow collection by Clearing Corporation of margins based on orders without allowing offset between borrow and lend orders. Clearcorp may also be required to ensure that accumulated orders in the trading system do not exceed limits specified by Clearing Corporation in this regard.

**2.2 Forex Segment**

a) Clearing Corporation shall fix Net Debit Cap for the Members based on their financial/operational parameters.

b) Such NDC would set the maximum amount of net exposure in terms of US Dollar Sale position and INR Sale position that Clearing Corporation is willing to take on the Members for their outstanding forex trades. The model shall also be used to set the Margin requirements for the Members.

c) The details of the Risk and Exposure Control Model for the Forex segment shall be spelt out in the Regulations for this segment. Apart from initial margin, Clearing Corporation may, from time to time, collect margins including in the form of mark to market margin, volatility margin, concentration margin, stress loss margin, etc.

d) Clearing Corporation shall set currency-wise Exposure Limits for each Member based on its balance in FX Collateral, and the Margin Factor. 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. For accepting trades, Clearing Corporation shall verify such exposures taken in both currencies as against the exposure limits set for each settlement date and also verify adequacy of margins placed by the Members as against the exposures that Clearing Corporation take on them for their outstanding trades in this segment.

e) The margin computation algorithm used in the model shall be spelt out in the Regulations for the segment and in related notifications issued by Clearing Corporation. Clearing Corporation shall also be entitled to periodically re-assess margin requirements of the Members and the Members shall be required to bring in additional margins if so required by Clearing Corporation.

f) Additional risk control measures for trades concluded on the trading system operated or managed by Clearcorp may be prescribed. This may include setting maximum limit for size of an order, disablement of a Member from trading system on reaching certain margin utilization level as prescribed. Clearcorp may also be required in such cases to allow Members to access trading system only on risk reduction mode and allow collection by Clearing Corporation of margins based on

orders without allowing offset between buy and sale orders. Clearcorp may also be required to ensure that accumulated orders in the trading system do not exceed limits specified by Clearing Corporation in this regard.

**2.3 Forex Forwards Segment**

a) A VaR based initial margin model is setup for risk and exposure control for the Forex Forward Segment. Apart from initial margin, Clearing Corporation may, from time to time, collect margins including in the form of mark to market margin, volatility margin, concentration margin, stress loss margin, etc.

b) For accepting trades, Clearing Corporation shall verify adequacy of margins placed by the Members as against the exposures that Clearing Corporation takes on them for their outstanding trades in this segment.

c) The margin computation algorithm used in the model shall be spelt out in the Regulations for the segment and in related notifications issued by Clearing Corporation. Members shall internally assess the margin requirements on their outstanding trades and make appropriate margin contributions as and when necessary. Clearing Corporation shall also periodically re-assess margin requirements of the members and the members shall be required to bring in additional margins if so required by Clearing Corporation.

d) Additional risk control measures for trades concluded on the trading system operated or managed by Clearcorp may be prescribed. This may include disablement of a member from trading system on reaching certain margin utilization levels as prescribed. Clearcorp may also be required in such cases to allow the Member to access trading system only on risk reduction mode and allow collection by Clearing Corporation of margins based on orders without allowing offset between buy and sale orders. Clearcorp may also be required to ensure that the accumulated orders in the trading system do not exceed the limits specified by Clearing Corporation in this regard.

**2.4 Rupee Derivatives Guaranteed Settlement Segment:**

a) A VaR based initial margin model shall be setup for risk and exposure control for the trades in Rupee Derivatives Guaranteed Settlement Segment. Apart from initial margin, Clearing Corporation may, from time to time, collect margins including in the form of mark to market margin, volatility margin, concentration margin, stress loss margin, etc. Clearing Corporation may also set up maximum limits in terms of notional amounts upto which a Member may be allowed to trade.

b) For accepting trades, Clearing Corporation shall verify adequacy of margins placed by the Members as against the exposures that Clearing Corporation take on them for their outstanding trades in this segment.

c) The margin computation algorithm used in the model shall be spelt out in the Regulations for the segment and in related notifications issued by Clearing Corporation. Members shall internally assess the margin requirements on their outstanding trades and make appropriate margin contributions, as and when necessary. Clearing Corporation shall also periodically re-assess margin requirements of the members and the members shall be required to bring in additional margins if so required by Clearing Corporation.

d) Additional risk control measures for trades concluded on the Rupee Derivatives Dealing System operated or managed by Clearcorp may be prescribed. This may include setting maximum limit for size of an order, disablement of a member from Rupee Derivatives Dealing System on reaching certain margin utilization levels as prescribed. Clearcorp may also be required in such cases to allow the Member to access Rupee Derivatives Dealing System only on risk reduction mode and allow collection by Clearing Corporation of margins based on orders without allowing offset between buy and sale orders. Clearcorp may also be required to ensure that the accumulated orders in the Rupee Derivatives Dealing System do not exceed the limits specified by Clearing Corporation in this regard.

**3. HOLDING OF SECURITIES**

The mode and manner of holding of securities and/or other assets accepted and held by Clearing Corporation from Members shall be as spelt out in the Regulations for the concerned segment.

**4. VALUATION OF SECURITIES IN MCC**

Securities offered to Clearing Corporation as collateral shall be valued periodically as laid down in the relative Regulations governing each segment through a valuation model to be prescribed in this respect. Members shall be advised of the impact of such valuation on the value of securities held and shortfalls, if any, upon such valuation shall be replenished by Members as per guidelines prescribed in Regulations relating to the concerned segment.

**5. MARKING TO MARKET**

All outstanding Trades in respect of every Member shall be marked to market at the end of every Business Day as per the Regulations prescribed for the relative segment.

**6.** Clauses 3, 4, 6 and 7 are not applicable for the Triparty Repo trades in Securities Segment. Valuation of securities offered as collaterals and/or as initial margin for Triparty Repo trades shall be subjected to valuation exercise as stipulated in the Securities Segment Regulations.

**7. DEFAULT FUND**

Clearing Corporation shall constitute a Default Fund for a segment to meet any residual losses arising out of a default by a Member in discharging its obligations arising in that segment. A dedicated Default Fund may be set up for such segment as it may deem appropriate. Clearing Corporation shall be entitled to use the funds only in the event of the default by a member as per the procedure specified in the Regulations relating to the concerned segment. Clearing Corporation may prescribe, from time to time, the mode and manner of contribution to the Default Fund.

## CHAPTER VIII: CODE OF CONDUCT

### A. OFFICE RELATED PROCEDURE

1. Every Member shall ensure that all persons acting on its behalf shall subscribe at all times to high standards of professional ethics and integrity.

2. Where Clearing Corporation considers it necessary in the public interest to do so, it may at its own instance or on a written request and / or complaint from another Member or any regulatory body / agency seek explanation from the Member regarding the professional conduct of the Member or any of its staff members where such conduct has been found unsatisfactory or contrary to principles enumerated in Clearing Corporation's Bye-Laws, Rules and Regulations, or notifications, directions or circulars issued there under.

### B. SUPERVISION PROCEDURES TO BE FOLLOWED:

1. Each Member shall establish, maintain, and enforce procedures to supervise its business and to supervise the activities of its employees and ensure that the same are reasonably designed to achieve compliance with Clearing Corporation's Bye-Laws, Rules and Regulations and any notifications, directions issued there under as well as the relevant Acts.
2. Each Member shall maintain an internal record of the names of all persons who are designated as supervisory personnel and the dates for which such designation is or was effective. Such record shall be preserved by the Member for a period of not less than three years.

3. A Member shall immediately notify in writing to Clearing Corporation of any change in its corporate status and constitution, operation and activities.

## C. DEALING PRINCIPLES:

Notwithstanding anything contained above, members shall adhere to the following dealing principles;

1. Each member shall at all times maintain such infrastructure, staff, communication facilities and records as per the requirements enumerated in Bye-Laws, Rules and Regulations and / or by notification issued in that behalf.
2. In conducting its business activities, a member shall act honestly and fairly.
3. A member shall be responsible for all the actions including Trades originating through or with the use of all following variables - Member ID, Member Number, User ID, valid User password at that point of time.
4. A Member shall not make bids and / or offers which results in creating a false or misleading appearance with respect to prices.

## D. SETTLEMENT PRINCIPLES

1. Members shall ensure that the fiduciary and other obligations imposed on them and their staff members by the various statutory acts, Rules and Regulations are complied with.

2. Members shall ensure that their employees are adequately trained in the practices of the relevant clearing segment in which they deal, clear and settle, are aware of their own, and their organisation's responsibilities as also of the relevant Acts governing the clearing Member, and the Rules, Bye-Laws and Regulations of Clearing Corporation, including

any additions or amendments thereof.

## E. SHIELDING OR ASSISTING

No Member shall shield or assist or aid or abet or omit to report on any Member where such other Member is known to have committed a breach or evasion of any Bye-Laws, Rules or Regulations of Clearing Corporation or of any resolution, order, notice or direction there under of the Board or the Managing Director or of any committee or Officer of Clearing Corporation in that behalf.

## F. GENERAL

1. Every Member shall at all times exercise due diligence, ensure proper care and exercise independent professional judgment.
2. Every Member shall ensure that the information given to Clearing Corporation is true and correct in all respects.

## CHAPTER IX: RECORDS, ANNUAL ACCOUNTS & AUDIT

### 1. RECORDS

Every Member shall comply with all relevant Acts, requirements of, and under, any notifications, directives and guidelines issued by the Central Government, Reserve Bank of India and any statutory body or local authority or anybody or authority acting under the authority or direction of the Central Government or Reserve Bank of India relating to the maintenance of accounts and records.

### 2. ANNUAL ACCOUNTS AND AUDIT

a) Each Member shall prepare annual accounts for each financial year ending on the 31st March or such other date as advised to Clearing Corporation.

b) Each Member shall furnish to Clearing Corporation, its audited financial statement and such report shall be furnished not later than six months after the end of the clearing Member's financial year; provided that when Clearing Corporation is satisfied that circumstances warrant an extension of time for furnishing such report, it may grant an extension of such time as it may deem fit.

## CHAPTER X: DISPUTE RESOLUTION PROCEEDINGS

### 1. APPLICABILITY

The Dispute Resolution Proceedings given herein under shall apply only to dispute/claim /difference by a Member with/against any other Member(s) of Clearing Corporation.

### 2. PANEL FOR RESOLUTION OF DISPUTES (PRD)

(i) For the purpose of Dispute Resolution, the Clearing Corporation shall by Notification constitute the "Panel for Resolution of Disputes" (PRD) by nominating four members on the PRD out of its Members, and a Senior Official/Managing Director/ Authorised Representative of Clearing Corporation as the fifth member on PRD, who shall be the Chairman of PRD.

(ii) In case of any dispute involving any Member(s) of the Clearing Corporation who is/are also Member(s) of the PRD, Clearing Corporation shall by Notification replace such member(s) of the PRD by other members for the limited purpose of looking into such dispute.

(iii) The tenure of membership of the members in the PRD shall be one year from the date of appointment. However, if one or more Office(s) of the Member(s) on the PRD falls vacant after the appointment thereto, the Clearing Corporation shall by Notification fill up the vacancy.

## 3. PROCEDURE FOR DISPUTE RESOLUTION

(a) The aggrieved Member shall submit a written application in duplicate to the PRD, at the registered office address of the Clearing Corporation for dispute resolution setting out all the relevant facts of the case along with the requisite documents in support of the same, the business segment in which the dispute has arisen and any other additional information.

(b) The applicant shall simultaneously send a copy of the application seeking dispute resolution addressed to PRD along with its supporting documents to the respondent.

(c) Upon receipt of the documents from the parties a PRD meeting shall be arranged immediately for the purpose of Dispute Resolution.

(d) The PRD shall dispose of the dispute within 15 working days of submitting the dispute.

(e) The PRD for the purpose of disposing of the matter may ask for such information/ documents as it may deem necessary from the parties or Clearing Corporation and may give the parties to the dispute an opportunity of being heard, if it deems fit, and for that purpose shall determine the date and time of hearing and shall give notice to all the parties concerned.

(f) The decision of the PRD shall be in writing and made in three originals duly dated and signed by each of the Members on the PRD.

(g) Confidentiality

The PRD Members shall:

- maintain confidentiality of all proceedings, discussions, decisions and such other information pertaining to the actions undertaken or which they are privy to as a part of the PRD. Such confidentiality shall be maintained at all times.
- not use any confidential information received as part of the PRD for any

benefit, including, but not limited to self, employer or employer's affiliate or any third party.

- be permitted to disclose such information to regulatory or supervisory authorities.

Confidential Information for the purpose of this Chapter shall mean and include the information received by the PRD members, as part of the Dispute Resolution process.

## 4. ENFORCEMENT OF THE DECISIONS OF THE PRD:

The PRD shall stipulate the period within which the order of the PRD is to be complied with by the Members concerned. In case of non-compliance, the aggrieved party can approach the Appellate Authority for redressal. Non-compliance of the order of the Appellate Authority would attract the penalty prescribed under sub- section (6) of Section 26 of the PSS Act.

In case where any party aggrieved by the order of the PRD approaches the Appellate Authority for review, the order passed by the PRD would be held in abeyance. It shall, however, be appropriate for PRD to decide levy of the refund/compensation and such amounts to be held in an interim account or in trust, until disposal of the appeal by the Appellate Authority, only after which shall the amount be accordingly appropriated.

## 5. ADMINISTRATIVE ASSISTANCE WHICH MAY BE PROVIDED BY THE CLEARING CORPORATION

The Clearing Corporation shall

(a) maintain a register of references;
(b) receive all applications for dispute resolution and communications addressed by the parties before or during the course of dispute resolution proceedings or otherwise in relation thereto;
(c) communicate to the parties all orders and directions of the PRD;
(d) receive and record all documents and papers relating to the reference and keep in custody all such documents and papers except such as the parties are allowed to

retain;

(e) communicate the decision on behalf of the PRD;

(f) generally do such things and take all such steps as may be necessary to assist the PRD in the execution of their function.

## 6. DISPUTES BETWEEN MEMBER, TRADING ENTITY AND CONSTITUENT

(a) CCIL shall not be made a party to any dispute between the Member, Trading Entity and Constituents. Such disputes shall be resolved by the Member directly with Trading Entity or Constituent amicably, without involving Clearing Corporation.

(b) Where no settlement is arrived at, such disputes shall be settled through a dispute resolution mechanism as may be notified by Clearing Corporation from time to time.

(c) For the purpose of dispute resolution, if required, Clearing Corporation may provide the record from its central processing unit, on written request.

## CHAPTER XI: MISCELLANEOUS

### 1. CHANGE OF SETTLEMENT INSTRUCTIONS

In the event of a change in settlement instructions including change of the Settlement Bank or Correspondent Bank for forex operations, the Member shall give to Clearing Corporation a notice in writing of atleast seven business days in advance of the settlement date.

### 2. GENERAL LIMITATION OF LIABILITY

2.1 Clearing Corporation shall not be liable for–

a) any inaccuracy, error or delay in or omissions in any of its information, data or message.

b) transmission of any such data, information or message.

c) any loss or damage arising from any such inaccuracy, error, delay or omission, non-performance or interruption due either to any act or omission by Clearing Corporation due to force majeure or any other cause beyond the reasonable control of Clearing Corporation.

d) Failure of the communication systems or failure of payments caused directly or indirectly by equipment or system failure.

e) Any other cause beyond the control of Clearing Corporation

2.2 Any instruction / order / direction or request entered under a Member's ID and using a Member's password shall be deemed to be an instruction / order / direction or request received from such Member or its duly authorized representative. If any other third party (including any unauthorized employee of a Member) gains access to the services provided by Clearing Corporation such Member shall be responsible and indemnify Clearing Corporation against any

liability costs or damages arising out of such claims or proceedings by such third parties and or any party based upon or relating to such access or use.

2.3 Clearing Corporation has no obligation to verify the authority of any instruction sent or purported to have been sent from the Member other than by means of verification of the Member ID. A Member shall immediately notify Clearing Corporation in writing, if such Member becomes aware of any loss or theft or unauthorized use of the Member's ID or password.

Clearing Corporation is not to be held responsible for any loss or damage that may arise due to a Member's inability to notify Clearing Corporation in writing of such occurrence.

## 3. INFORMATION TECHNOLOGY

3.1 Computer System Support

The operations of Clearing Corporation shall be conducted in a fully computerized environment. Members shall be connected to Clearing Corporation through a system of network belonging to and maintained by the Regulator and / or individual network connectivity systems approved by Clearing Corporation from time to time. Only Members of Clearing Corporation shall be connected to the host system at Clearing Corporation's premises at Mumbai through specified front end systems installed at Members' premises at Members' expenses. The connectivity including hardware and software should be as per the specifications and approval of Clearing Corporation. Member terminal shall be located within their own business premises with necessary approvals from landlords, municipal authorities, builders or societies as may be applicable in each case for the location / housing of such equipment.

3.2 Request for Changes / Enhancement

Request for changes and/or enhancement to the hardware and / or software installed in the IT equipment located at Members' premises should be made

in writing to Clearing Corporation giving complete details of the changes proposed and the reasons that warrant such changes. Clearing Corporation shall examine requests for such changes to ensure that such requests would not affect the operations of Clearing Corporation. Changes and / or modifications at the Members' premises to the computer system relating to operations with Clearing Corporation can be effected only after receiving specific written approval of Clearing Corporation. Members shall inform Clearing Corporation in writing upon completion of such modification and await Clearing Corporation's written approval prior to operationalisation of the modification into Clearing Corporation's network. All changes and / or modifications to software and / or hardware shall be effected by Members at their own cost. Further, any changes and / or modifications that may become necessary at the specific requirement of Clearing Corporation shall also be carried out by Members at their cost.

## 4. RECORDING OF CONVERSATIONS

Clearing Corporation shall have the authority to record / video tape conversations with the Members and / or their officials over telephone or otherwise and such record maintained by Clearing Corporation shall be conclusive evidence.

## Glossary of changes to CCIL Rules

| Sr. | Chapter/ Clause | Existing Clause | Revised Clause | Rationale |
|---|---|---|---|---|
| 1. | **CHAPTER VII: RISK MANAGEMENT** | **2. EXPOSURE CONTROL**<br>**2.1 Securities Segment (Outright/ Repo trades)**<br>a.) A Value at Risk (hereinafter referred to as "VaR" in Rules and Regulations) based initial margin model shall be set up for risk and exposure control for the trades in the Securities Segment. Apart from initial margin, Clearing Corporation may, from time to time, collect margins including in the form of mark to market margin, volatility margin, concentration margin etc. Clearing Corporation may also set up maximum limit in terms of amounts of the trades upto which a Member may be allowed to clear and settle through Clearing Corporation. | **2. EXPOSURE CONTROL**<br>**2.1 Securities Segment (Outright/ Repo trades)**<br>a.) A Value at Risk (hereinafter referred to as "**VaR**" in Rules and Regulations) based initial margin model shall be set up for risk and exposure control for the trades in the Securities Segment. Apart from initial margin, Clearing Corporation may, from time to time, collect margins including in the form of mark to market margin, volatility margin, concentration margin, stress loss margin, etc. Clearing Corporation may also set up maximum limit in terms of amounts of the trades upto which a Member may be allowed to clear and settle through Clearing Corporation. | ←Language supplied in view of introduction of new Margin head i.e., Stress Loss Margin. |
| 2. | **CHAPTER VII: RISK MANAGEMENT** | **2. EXPOSURE CONTROL**<br>**2.1.1 Securities Segment – (Triparty Repo Trades)**<br>(b) Initial Margin shall also be stipulated for the borrow and lend orders as spelt out in Securities Segment Regulations. Apart from initial Margin, | **2. EXPOSURE CONTROL**<br>**2.1.1 Securities Segment – (Triparty Repo Trades)**<br>(b) Initial Margin shall also be stipulated for the borrow and lend orders as spelt out in Securities Segment Regulations. Apart from initial Margin, | |

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| | | Clearing Corporation may, from time to time, collect Margins including in the form of mark to market margin, volatility margin, concentration margin etc. Clearing Corporation may also set up maximum limits in terms of amounts upto which a member may be allowed to trade. | Clearing Corporation may, from time to time, collect Margins including in the form of mark to market margin, volatility margin, concentration margin, stress loss margin, etc. Clearing Corporation may also set up maximum limits in terms of amounts upto which a member may be allowed to trade. | ←Language supplied in view of introduction of new Margin head i.e., Stress Loss Margin. |
| **3.** | **CHAPTER VII: RISK MANAGEMENT** | **2.2 Forex Segment**<br>(c) The details of the Risk and Exposure Control Model for the Forex segment shall be spelt out in the Regulations for this segment. Apart from initial margin, Clearing Corporation may, from time to time, collect margins including in the form of mark to market margin, volatility margin, concentration margin etc. | **2.2 Forex Segment**<br>(c) The details of the Risk and Exposure Control Model for the Forex segment shall be spelt out in the Regulations for this segment. Apart from initial margin, Clearing Corporation may, from time to time, collect margins including in the form of mark to market margin, volatility margin, concentration margin, stress loss margin, etc. | ←Language supplied in view of introduction of new Margin head i.e., Stress Loss Margin. |
| **4.** | **CHAPTER VII: RISK MANAGEMENT** | **2.3 Forex Forwards Segment**<br>a) A VaR based initial margin model is setup for risk and exposure control for the Forex Forward Segment. Apart from initial margin, Clearing Corporation may, from time to time, collect margins including in the form of mark to market | **2.3 Forex Forwards Segment**<br>a) A VaR based initial margin model is setup for risk and exposure control for the Forex Forward Segment. Apart from initial margin, Clearing Corporation may, from time to time, collect margins including in the form of mark to market margin, volatility margin, concentration margin, | ←Language supplied in view of introduction of new Margin head i.e., Stress Loss Margin. |

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| | | margin, volatility margin, concentration margin etc. | stress loss margin, etc. | |
| **5.** | **CHAPTER VII: RISK MANAGEMENT** | **2.4 Rupee Derivatives Guaranteed Settlement Segment:**<br>a) A VaR based initial margin model shall be setup for risk and exposure control for the trades in Rupee Derivatives Guaranteed Settlement Segment. Apart from initial margin, Clearing Corporation may, from time to time, collect margins including in the form of mark to market margin, volatility margin, concentration margin etc. Clearing Corporation may also set up maximum limits in terms of notional amounts upto which a Member may be allowed to trade. | **2.4 Rupee Derivatives Guaranteed Settlement Segment:**<br>a) A VaR based initial margin model shall be setup for risk and exposure control for the trades in Rupee Derivatives Guaranteed Settlement Segment. Apart from initial margin, Clearing Corporation may, from time to time, collect margins including in the form of mark to market margin, volatility margin, concentration margin, stress loss margin, etc. Clearing Corporation may also set up maximum limits in terms of notional amounts upto which a Member may be allowed to trade. | ←Language supplied in view of introduction of new Margin head i.e., Stress Loss Margin. |