THE CLEARING CORPORATION OF INDIA LIMITED

SECURITIES SEGMENT REGULATIONS

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Amended in **November**, 2026

CHAPTER I: INTRODUCTION, APPLICABILITY & DEFINITIONS

1. INTRODUCTION

These Regulations shall be known as The Clearing Corporation of India Limited (Securities Segment) Regulations, 2009 as amended in November, 2026.

2. APPLICABILITY

These Regulations shall be applicable to all Members admitted to the Securities Segment of The Clearing Corporation of India Limited

3. DEFINITIONS

1. **APPROVING AUTHORITY**: "Approving Authority" shall have the same meaning as defined in Bye-Laws of Clearing Corporation.

2. **ASSOCIATE MEMBER:** "Associate Member" is a Member who is a GILT Account Holder and eligible to undertake Triparty Repo trades. Associate Members shall maintain a Current Account with the Designated Settlement Bank (DSB) for the purpose of funds ettlement of their Triparty Repo trades.

3. **BOND FORWARD**: "Bond Forward" shall have the same meaning as assigned under the Reserve Bank of India (Forward Contracts in Government Securities) Directions, 2025, as amended from time to time.

4. **CLEARCORP**: "Clearcorp" means Clearcorp Dealing Systems (India) Limited.

5. **CLEARING MEMBER**: "Clearing Member" is a Member of Securities Segment of Clearing Corporation who is permitted under the Bye-Laws, Rules and Regulations to submit its Proprietary Trades and its Constituents' Trades for Clearing and Settlement to Clearing Corporation.

6. **CONSTITUENT**: "Constituent" means an entity or a person on whose instructions and on whose account the Clearing Member clears and settles Trades.

7. **CONSTITUENT TRADES**: “Constituent Trades” means Trades submitted by a Member on account of its Constituents for learing and ettlement to Clearing Corporation.

8. **DEMAT POOL ACCOUNT:** “Demat Pool Account” means an account maintained by the Member with the respective Depository for receiving and delivering ecurities from / to its Constituents and/ or the Depository.

9. **GILT ACCOUNTS**: A “Gilt Account” means an account for holding Government Securities opened and maintained by an entity or a person with an entity permitted by the Reserve Bank of India (RBI) to operate Constituents Subsidiary General Ledger Account with the Public Debt Office of RBI.

10. **GILT ACCOUNT HOLDERS (GAH**) “GILT Account Holder” means an entity or a person holding a GILT Account.

11. **MEMBER:** “Member” is an entity admitted as such by Clearing Corporation under its Bye-Laws, Rules and Regulations to transact business under any of its Segments and does not denote shareholders of Clearing Corporation. Provided shareholders of Clearing Corporation may also be admitted as Members of Clearing Corporation. A Member can be an Associate Member or Self Clearing Member or Clearing Member.

12. **PAYMENT GATEWAY**: “Payment Gateway” means a third party service provider which facilitates Constituents of Clearing Member to remit funds to Clearing Corporation towards the settlement of trades received from NDS-OM.

13. **PREFUNDING**: “Prefunding” means the prefunded Collateral posted by Member(s), for itself or on behalf of its Constituents which is earmarked as Prefunded Limits to meet Settlement Obligations, if any.

14. **PREFUNDED LIMITS**: “Prefunded Limits” means the limits set for a Member for itself or on account of its Constituents on the basis of the Prefunding in the Securities Segment.

15. **PORTING**: “Porting” means the transfer of trades, positions and margins of a Constituent from one Clearing Member to another Clearing Member.

16. **PROPRIETARY TRADES**: “Proprietary Trades” means trades submitted by a Member for its own account for learing ettlement to Clearing Corporation.

17. **SELF-CLEARING MEMBER:** “Self-Clearing Member” is a Member who is permitted under the Bye-Laws, Rules and Regulations of Clearing Corporation, to clear and settle only Proprietary Trades.

18. **TRADING ENTITY:** “Trading Entity” means an entity which is not a member of Clearing Corporation but has been provided access to dealing platformof the Clearcorp for the purpose of concluding / reporting/ submission of rades of its clients created as Constituents of a Clearing Member of Clearing Corporation for the purpose of ettlement by Clearing Corporation as rades of the Clearing Member.

19. **TRADING ENTITY ID**: “Trading Entity ID” mean a unique ID provided by Clearing Corporation to each Trading Entity, for the purpose of identifying the entity accessing the trading platform and whose rades shall be settled by Clearing Member of the Clearing Corporation.

20. **TRIPARTY REPO:** “Triparty Repo” shall have the same meaning as assigned to it under Repurchase Transactions (Repo) (Reserve Bank) Directions, 2018 and as amended by Reserve Bank of India from time to time.

21. **TRIPARTY AGENT:** A “Triparty Agent” shall have the same meaning as assigned to it under Repurchase Transactions (Repo) (Reserve Bank) Directions, 2018 and as amended by Reserve Bank of India from time to time.

Capitalized terms used herein but not defined shall have the meaning ascribed to it under the Clearing Corporation Bye-Laws and Rules.
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 Securities Segment of Clearing Corporation. Members holding CSGL Account with RBI shall be permitted to act as a Clearing Member for the purpose of Settlement of outright, repo and Bond Forward Trades and/or Triparty Repo Trades provided they meet the eligibility criteria prescribed for such purpose.

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

4. Clearing Corporation may by notification, discontinue admission of new applicant(s) to a specific category of membership in the Securities Segment.

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 the Approving Authority shall be conveyed to the concerned applicant. Such applications shall be processed further only upon receipt of complete particulars called for by the Approving Authority.

3. Mere submission of completed application forms and/ or additional information sought by the Approving Authority does not by itself constitute any privilege for any applicant to claim grant of membership to Clearing Corporation.

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

5. Every applicant shall execute a power of attorney in favour of the Clearing Corporation in such form and manner as may be prescribed by Clearing Corporation. Such execution shall be carried out by duly authorized signatory(ies) and shall bear the official seal of the Member Company.

C. MEMBER ID

1. Every applicant admitted as a Member (including Associate Members) of Clearing Corporation shall be allotted a unique Member ID which shall be for the identification purpose of the Member.

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

3. Every Member shall incorporate the Member ID in all its communications to Clearing Corporation.

4. Non- incorporation of Member ID by a Member in any Trade or communication shall absolve Clearing Corporation of all liabilities or consequences of inaction by Clearing Corporation.

5. Every Member shall ensure that incorporation and/ or use of its Member ID is restricted to authorized personnel only.

6. Clearing Corporation and/ or any of its officials shall not in any way be responsible for any loss or consequences that may arise on account of unauthorized and/ or wrongful use of Member ID.

D. CONSTITUENT IDs

1. Constituent means an entity or a person on whose instructions and on whose account the Clearing Member clears and settles Trades.

Clearing Corporation shall accept contribution towards the MCC from Clearing Members for their Constituents for the purpose of acceptance of such Constituent's Trades.

2. Clearing Corporation shall allot each such Constituent an ID for the purpose of identification upon request received from Clearing Members providing quisite details and documents, as prescribed by Clearing Corporation. Clearing Member shall be responsible for providing the requisite details of each Constituent. Clearing Member shall provide any additional information as may be sought by the Clearing Corporation in relation t o each of its Constituents.

3. Every Clearing Member shall incorporate the Constituent ID in all its Constituents' Trades sent to Clearing Corporation.

4. A Clearing Member of Clearing Corporation may seek to settle Constituent Trades in this Segment through its CSGL Account or through the Constituent's GILT Account

with RBI or through the CSGL Account of the Depository for Trades received in Demat or its TPR Collateral GILT Account with Clearing Corporation.

5. Clearing Members shall be responsible for the Settlement of all Constituent Trades submitted by them.

6. All references to Member's Trades, positions, obligations, Settlement, shortages, its replenishment, Margins and Default Fund contributions in these Regulations shall include both the Proprietary Trades and the Constituent Trades.

7. For the purpose of Porting a Clearing Member prior to admission of a Constituent shall obtain an 'undertaking' from its Constituent(s), to the effect that the Constituents shall forthwith inform CCIL of its choice of an alternate Clearing Member, in the event of its failure to act as a Clearing Member arising from but not limited to any corporate restructuring, bankruptcy, regulatory action etc.

E. RESIGNATION FROM MEMBERSHIP

1) A Member who:

I. is not a defaulter;

II. has met all margin calls;

III. has replenished their Default Fund contributions in respect of calls made on or before the Resignation Request Date (as defined later);

shall have the right to resign from Securities Segment, provided:

(A) Such Member satisfies either of the following conditions subject to such procedure as prescribed:

(a) there are no outstanding TradesTrades accepted in the Securities Segment for the preceding two months; or

(b) if the Member has incurred loss through replenishment of its contribution to Securities Segment Default Fund (s) / Triparty Repo 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 E (1) (A)(a) may be granted exemption from the requirement of not having any outstanding Trades accepted for Settlement in the preceding two months if:

i. 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 the obligations of its Constituents) and its obligations towards the Default Fund arising out of the provisions of Chapter XVI, 'Default Fund' of these Regulations.

ii. If an existing Member has applied to resign as a Member and avail the services of Clearing Corporation as a Constituent of a Clearing Member and the said Clearing Member has undertaken to take over all obligations of the resigning Member including the obligations of its Constituents and also its obligations towards the Default Fund arising out of the provisions of Chapter XVI: 'Default Fund' of these Regulations.

2) A Member resigning under Regulation E (1) (A)(a) above:

a. shall give prior notice in writing to the Clearing Corporation clearly indicating its decision to resign from the Securities Segment.

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

c. Clearing Corporation shall promptly notify other Members of this Segment about the resignation request received. Such request for resignation under E(1)(A)(a) above shall be approved or rejected by the Managing Director of Clearing Corporation or by an official so authorized by the Managing Director within 2 Business Days from the rrresignation request date based on fulfillment, 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 authorized 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.

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

3) A Member desiring to resign under Regulation E(1)(A)(b) above:

i. Shall give prior notice of 7 calendar days to the Clearing Corporation in

writing clearly indicating its decision to resign from the Securities Segment.

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

iii. The resigning Member shall cancelall the outstanding Trades in the Securities Segment.

iv. All requests for resignation under Regulation E (3) shall be approved or rejected by the Managing Director of Clearing Corporation or by an official so authorized by the Managing Director after the Member has cancelled all its outstanding Trades in the Securities Segment within the specified 07 days' notice period based on fulfillment or otherwise of all the conditions for resignation by the Member. Such request for resignation may be rejected by the Managing Director of Clearing Corporation or by an official so authorized by the Managing Director in case the Member has not fulfilled any obligations or liabilities arising out of or incidental to any Trades under the Segment in terms of Bye -Laws, Rules and Regulations of Clearing Corporation. In the event of such rejection, the reasons for such rejection shall also be communicated to the Member. If the said resignation is not rejected or if such approval for such resignation is not given by the end of the day of the resigning Member's cancellingall its outstanding Trades, it shall be deemed to have been approved at the end of such day. The resigning Member shall upon approval of resignation by Clearing Corporation be entitled to receive any amount lying to the credit of its Default Fund account for this Segment upon adjustment of other dues to Clearing Corporation.

v. If the Member fails to cancelall its outstanding Trades within the period set out in 3 (iv) above, the resignation notice shall be deemed to be withdrawn by the Member.

vi. The procedure as specified in Clearing Corporation Rules, Chapter IV-Rule 7 - Resignation, shall not apply to the Member resigning as per the Regulation E of this Chapter.

CHAPTER III: MEMBERS COMMON COLLATERAL/COLLATERAL

A. PURPOSE

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

B. COMPOSITION, ADMINISTRATION AND WITHDRAWAL OF MCC

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

C. INTEREST ON CASH CONTRIBUTIONS TO MCC

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

CHAPTER IV: TRIPARTY REPO COLLATERAL

A. PURPOSE

1. Clearing Corporation shall maintain Collateral in respect of Triparty Repo (hereinafter referred to as "TPR Collateral") Trades of the Member and its Constituents, accepted for Settlement.
2. TPR Collateral contributions by the Member shall mean the Collateral contributed to cover its exposures on the outstanding Proprietary and Constituents borrowings under Triparty Repo Trades received for Settlement by Clearing Corporation.
3. Collateral contributed by a Clearing Member on its own account shall be kept segregated by the Clearing Corporation from the collateral contributed by the Clearing Member on account of each of its Constituents.
4. Members who the eligibility criteria as decided by Clearing Corporation for acting as a Clearing Member for Triparty Repos, shall only be permitted to contribute for Constituents, cashand Securities towards TPR Collaterals. Clearing Member shall ensure that contributions to Triparty Repo Collateral on behalf of Constituents, shall only be for such Constituents who are eligible to undertake repo in terms of RBI's RBI Repurchase Transactions (Repo) (Reserve Bank) Directions, 2018 or such instructions issued by RBI from time to time. Clearing Members shall further ensure that Securities contributed for Constituents towards TPR Collateral shall be eligible Securities accepted by Clearing Corporation as TPR Collateral, which are owned by respective Constituents and are free from any encumbrance.
5. Clearing Corporation shall take no account of any right or interest which any personother than the Clearing Member may have in the Collateral deposited by such Member with Clearing Corporation;

   TPR Collateral shall be utilized for such purposes as may be provided for in the Clearing Corporations' Bye- Laws, Rules and Regulations including those that deal with the meeting of default obligations/ shortfalls / deficiencies and/ or any other dues arising out of normal clearing and Settlement operations undertaken by Clearing Corporation as part of its normal day- to- day operations.Clearing Corporation shall act as a Triparty Agent for Triparty Repo Trades received for Settlement from Triparty Repo (Dealing) Segment of Clearcorp in accordance with the Repurchase Transactions (Repo) (Reserve Bank) Directions, 2018 as amended from time to time and as provided in Bye- Laws,

Rules and Regulations of Clearing Corporation.

B. COMPOSITION

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

2. Every Member shall contribute to TPR Collateral, the minimum of its total amount of Margin requirement at any point of time in the form of cash and the balance shall be contributed in the form of eligible Government Securities. The minimum cash contribution to be maintained by the Members towards its Margin requirement shall be as notified by Clearing Corporation from time to time. Such minimum contribution, shall be applicable separately for Proprietary Trades and also for each of its Constituent's Trades. Every Member shall also contribute the eligible Government Securities to TPR Collateral towards its own borrowing limit and the borrowing limit of each of its Constituents separately under Triparty Repo.

3. Clearing Corporation shall specify the list of Securities which shall be eligible for contribution to TPR Collateral. The list of Securities eligible for such contribution shall be notified by Clearing Corporation from time to time. Securities declared as ineligible for TPR Collateral contribution shall not be reckoned for Margin contribution/ borrowing limit of such Member or its Constituents.;

a. Provided that Clearing Corporation may at its discretion 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 TPR Collateral or/ and have Securities concentration thresholds beyond which hair cut rates of Securities deposited as Collateral may be stepped up;.

For the purpose of the afore-mentioned concentration thresholds, Collateral deposited by a Member shall include the Collateral deposited on its own account and also on account of its Constituents;

4. A Member shall upon admission be required to contribute to TPR Collateral separately on its own account and on account of its Constituents before Clearing Corporation accepts Triparty Repo Trades from the Member for Clearing and Settlement;

5. A Member's contribution to TPR Collateral shall cover its obligations towards borrowing limit, initial Margin, MTM Margin, volatility Margin for Triparty Repo

Trades and/ or any other Margin that may be prescribed in Chapter VIII relating to "Risk Management" in these Regulations.

6. Clearing Corporation may also consider accepting bank guarantees from its Members to cover its liquidity requirements, on such terms and conditions, as notified by Clearing Corporation from time to time.It shall be the responsibility of the Member to ensure that its exposures on the outstanding Proprietary and Constituents borrowings under Triparty Repo Trades accepted for Settlement are fully secured by the value of the Collateral maintained by it with Clearing Corporation from time to time on account of the Clearing Member and on account of its Constituents respectively, as provided under these Regulations.

C. INTEREST ON CONTRIBUTIONS TO TPR COLLATERAL

1. Periodical interest receivable by the Members on their Securities contributed to TPR Collateral, 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.

2. Clearing Corporation shall not be responsible for servicing corporate actions on such Securities held by Members in its TPR Collateral which have been declared as ineligible for TPR Collateral contribution.

3. Members shall be entitled to receive interest on such Government Securities that are contributed to TPR Collateral as per coupon rate payable on the respective Security.

4. Interest received by Clearing Corporation shall be subsequently transmitted to the Members at the earliest.

However, interest received on Securities contributed to TPR Collateral may be retained by Clearing Corporation, without any cost to Clearing Corporation, in case the revalued borrowing limit of the Member/ its Constituent on interest payment date falls below the utilized borrowing limit towards Triparty Repo Trades accepted for Settlement. Such interest amount retained shall not be available for any Margin purpose and can be withdrawn by the Member, partially or fully, immediately after replenishment of the borrowing limit shortfall by submitting a cash withdrawal notice as per the workflow process notifiedfrom time to time

5. Members shall monitor the Security contributions for itself and its Constituent(s), towards TPR Collateral to ensure that Securities falling due for redemption are withdrawn from TPR Collateral well in advance before the redemption date and

substituted by eligible Securities of equivalent value, if required. 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.

6. Redemption proceeds received by Clearing Corporation shall be treated as Member's cash contribution to TPR Collateral for its Proprietary Trades and Constituent Trades as the case may be.

7. Members shall be entitled to receive interest (at the end of every quarter) on cash amounts contributed to TPR Collateral only to the extent of the cash utilized for Proprietary Trades and Constituent Trades respectively, in excess of minimum cash Margin prescribed, towards initial Margin requirement of Triparty Repo Trades as notified by Clearing Corporation from time to time.

D. ADMINISTRATION

1. Clearing Corporation shall have discretion/ control over the administration, utilization of cash Margins deposited by Members. 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 TPR Collateral 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 Constituents under Clearing Corporation's respective CSGL Account 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 TPR Collateral in the form of Securities shall accordingly be governed by the said RBI's rules and regulations and instructions.

3. Clearing Corporation shall at its sole discretion, identify the Security to be debited among the Security contributed in the Triparty Repo GILT Account by the borrower and borrower shall be deemed to have given consent for such Security debited by Clearing Corporation. Clearing Corporation shall debit the Securities equivalent to the value of amount borrowed under Triparty Repo to the GILT Account of the borrower for credit to Triparty Repo Settlement Account (hereinafter TPR Repo

Settlement Account) maintained by Clearing Corporation.

4. Clearing Corporation shall at its sole discretion identify the Security to be credited to Triparty Repo GILT Account of the lender and lender shall be deemed to have given concurrence for such Security credits by Clearing Corporation. Clearing Corporation shall credit the GILT Account of the lender, with the Securities equivalent to the value of amount lent under Triparty Repo by debiting TPR Repo Settlement Account maintained by Clearing Corporation.

5. The Securities debit for a borrower of Funds and credit to lenders of Funds for Triparty Repo transactions may be determined on a daily basis by Clearing Corporation and Securities identified for debit and credit respectively to the borrower and lender may change during life cycle of the Triparty Repo transaction.

6. Securities credit to Members in their GILT Account, on account of their lending in Triparty Repo, shall not be available for withdrawal by such Member.

7. Clearing Corporation shall have the right to utilize any of the Securities contributed to TPR Collateral by the Member and held in the CSGL Account and/or GILT Account referred to above in Regulation D(2), above, to meet shortfalls and/ or deficiencies in the Clearing and Settlement process arising out of a Settlement Settlement Shortage by the Member in such sequence of application as may be determined at the sole discretion of Clearing Corporation to be appropriate.

8. Clearing Corporation shall also be entitled to and shall be deemed to be authorized by its Members, to seek pledge, hypothecate, create any charge and/ or encumbrance over Securities deposited by the "Member in Shortage" and the securities debited/ credited to its TPR GILT Account towards Triparty Repo borrowings and/or lending, for availing a line of credit/ repo facilities from RBI, banks, institutions and/ or other market participants including non-Members, for the purpose of Clearing and Settlement of the Triparty Repo Trades received & accepted for Settlement for e.g. if borrower defaults in repayment of borrowed Funds then such borrower's Securities debited to its GILT Account shall be utilized for the above purpose. In case of lender's default in meeting Funds Obligations, the Securities to be credited to GILT Account of the lender towards such lending shall be utilized for above purpose.

9. Clearing Corporation shall have a paramount lien on contributions made by any of its Members to TPR 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 contributions, 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 normal Clearing and Settlement operations undertaken by Clearing Corporation as part of its normal day to day operations.

E. WITHDRAWAL FROM COLLATERAL

1. Members shall be entitled to withdraw their contributions to TPR Collateral in excess of their outstanding obligations for Proprietary Trades and Constituent Trades respectively, to cover their Margin/ borrowing requirements 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 for their Proprietary Trades shall include the Margin requirement of their Constituents, which is in excess of the Margin contributed by the Clearing Member for the Constituent(s).

Explanation: The term Margin requirement referred hereinabove shall mean:

In case of individual Constituent accounts, the Margin Obligation or the Margin contributed (whichever is higher).

Members shall ensure at the time of lodging such requests for withdrawal of excess contributions from TPR Collateral, either in the form of cash and/or Securities, that the cash component of their contributions to TPR Collateral does not fall below the prescribed ratio/ minimum cash requirement after such withdrawal is effected.

2. Securities available to Members in their GILT Account, on account of their lending can not be withdrawn.

3. Clearing Corporation may at any time reject a withdrawal request from a Member who has been placed under a moratorium or any other directions of RBI.

F. RECEIPTS AND DELIVERIES OF SECURITIES

1. Members shall contribute Securities to TPR Collateral as notified by Clearing Corporation from time to time in multiples of market lots in relation to their

respective Margin Obligations. Members shall deposit only such Securities to TPR Collateral which are free from any encumbrances.

2. Members shall arrange to directly deposit their contributions of eligible Securities to the designated CSGL Account as per the work flow process notified by Clearing Corporation from time to time.

3. Members shall ensure that all relevant details as required by RBI to carry out such transactions in the relative 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 TPR Collateral.

4. Members shall be entitled to receive credit for deposits of Securities into the CSGL Account with RBI upon receipt of confirmation from RBI that the Securities have been credited into the respective CSGL Account of Clearing Corporation. Such credit shall be reckoned for the purpose of Margin/ borrowing limit computation in respect of a Member when such credit intimation is received from RBI.

5. Members shall be entitled to withdraw Securities from their contributions to TPR Collateral by giving prior notice as notified by Clearing Corporation from time to time in the format prescribed for the purpose. Clearing Corporation may honorsuch withdrawal request, provided the Member and its Constituent(s), as the case may be, has no borrowing, outstanding or any other utilization against such Security.

Provided further that, if such notice for withdrawal is received in respect of a Security at a time when it would be falling into Shut Period or utilized for availing liquidity for handling the Funds Shortage of any Member 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 Collateral 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 TPR CSGL Account at RBI by giving prior notice as notified by Clearing Corporation from time to time in the format prescribed for the purpose. 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 or utilized for availing liquidity for handling the Funds Shortage of any Member and rendering such substitution as impossible, then such notice shall be invalid.

8. At the time of making requests for substitution, Members shall ensure that the Security offered for substitution forms part of the Securities eligible for contribution to TPR Collateral. Borrowers may substitute Securities among the eligible Securities and lenders shall be deemed to have given consent for such a Security substitution. The value of the Securities deposited should be equal to or greater than the value of Securities being withdrawn. Borrowers shall not be allowed after commencement of Settlement process, as set out in Chapter V – Trade Settlement of these Regulations, to substitute Securities being debited as part of the Settlement process.

G. CASH CONTRIBUTION TO COLLATERAL - PAYMENTS AND RECEIPTS

1. Members shall effect cash contribution to TPR Collateral as notified by Clearing Corporation from time to timetime in relation to their respective Margin obligations.

2. Members shall arrange to deposit their contributions to TPR Collateral as per the 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 deposits from Members towards their cash contributions to TPR Collateral.

4. Members shall be entitled to receive credit for their cash deposits into TPR Collateral upon receipt of confirmation from RBI / DSB of credits into the RTGS Account/ Current Account of Clearing Corporation. The impact of such credits in the Member's TPR Collateral shall be reckoned at the time when credit intimation is received f rom RBI / DSB.

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. Such withdrawal shall result in a corresponding reduction in such Members Collateral balances as and when instructions to transfer such amounts to the Members are issued to RBI/DSB by Clearing Corporation.

5. Members shall monitor their Securities contributions to TPR Collateral including Collateral contributed on account of their Constituents to ensure that the Securities falling due for redemption are withdrawn from TPR Collateral 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.

6. Redemption proceeds received by Clearing Corporation shall be treated as Member's cash contribution to TPR Collateral for its Proprietary Trades and/or its Constituent(s) Trades as the case may be.

7. Collateral statement of Securities holdings and cash contributions shall be provided by Clearing Corporation to Members.

H. PORTING OF CONSTITUENT TRADES AND MARGINS HELD ON BEHALF OF CONSTITUENTS

1. Clearing Corporation may initiate Portingin the event of Default of the Constituent's existing Clearing Member.

   Clearing Corporation shall return the Margins received on behalf of Constituents, 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 V: TRADE SETTLEMENT

A) KINDS OF TRADES

1. Save as otherwise provided, Trades are contracts relating to 'outright' including 'when issued', 'Repo', 'Triparty Repo', 'GSL Transaction' and 'Bond Forwards' type with delivery and payments as under:

(a) For "T+ 0" i.e., for delivery and payment on the same day as the date of the Trade.

(b) For "T+ 1" i.e., for delivery and payment on the working day following the Trade date.

(c) For "T+N" i.e., for delivery and payment on any working day greater than "T+1" as specified by RBI from time to time.

2. For Repo and Triparty Repo Trades, the delivery and payment as above shall represent the delivery and payment relating to the first leg, which shall then qualify for reversal of actions on the Repo reversal date.

3. GSL Transactions for Securities against Security shall comprise of two Repo Trades wherein the Security lender will get another Security against the Security lent. All GSL Transactions shall be treated as Repo Trades for the purpose of risk management, Settlement and sudden event handling.

4. Bond Forward Trades received for Settlement shall be settled along with outright Trades of the Member as referred in Para (A) above.

B) TIMINGS

Unless otherwise specifically notified, Ttimings for Clearing Corporation's acceptance of Trades for Settlement shall be linked to the timings prescribed by RBI for the types of Trades covered.

C) RECEIPT OF TRADES BY CLEARING CORPORATION

Clearing Corporation shall receive details of TradesTrades from various sources as detailed under:

(a) **Outright secondary market trades in Government Securities**

i. Trades reported by Members on RBI's Negotiated Dealing System (NDS)/ NDS Order Matching System (NDS-OM reporting module).

ii. Trades concluded by members on RBI's NDS Order Matching System (NDS-OM order matching module).

iii. From any other source as may be permitted by RBI from time to time.

(b) **Repo and GSL Transactions in Government Securities**

i. Trades reported by Members on RBI's NDS.

ii. Trades concluded by Members on Clearcorp' s Repo Dealing System (CROMS order matching module).

iii. Trades reported by Members on Clearcorp's Repo Dealing System (CROMS reporting module).

iv. From any other source as may be permitted by RBI f rom time to time.

(c) **Triparty Repo Trades in Government Securities**

i. Trades concluded by Members on Clearcorp' s Triparty Repo Dealing System. (TREPS)

ii. Trades reported by Members on Clearcorp' s Triparty Repo reporting module.

iii. From any other source as may be permitted by RBI from time to time.

(d) **Bond Forward Trades in Government Securities**

i. Trades reported by Members to CCIL-TR using the Bond Forward Trade reporting functionality.

ii. From any other source as may be permitted by RBI from time to time.

(e) Clearing Member shall be responsible to ensure that the Trades, submitted to Clearing Corporation are only for Constituents who are 'eligible entities' in terms of applicable laws including but not limited to RBI Repurchase Transactions (Repo) (Reserve Bank) Directions, 2018 , RBI (Forward Contracts in Government Securities) Directions, 2025, as amended from time to time, or such instructions issued by RBI from time to time.

D) ACCEPTANCE OF TRADES

1. Upon receipt of Trades for Clearing and Settlement, as detailed in Regulation (C) above, Clearing Corporation shall accept such Trade(s) after verification of Risk Exposure Limits in respect of each individual Member and its Constituent as enumerated in Chapter VIII "Risk Management" in these Regulations.

2. Trades accepted shall be classified as under:

2.1 Trades Guaranteed for Settlement

Trades that fall within Members' Risk Exposure Limits will be accepted and guaranteed for Settlement by Clearing Corporation.

2.2 Trades exceeding Risk Exposure Limit

a) Trades that fall beyond Member' s Risk Exposure Limit.

b) Such Trades may be accepted (vis-a–vis such Members) for Settlement without guarantee by Clearing Corporation.

Trades once accepted without guarantee would qualify for guaranteed Settlement only upon receipt of additional contributions MCC / TPR Collateral to cover the shortfall resulting from a breach of the Exposure Limit. Such Trade(s) shall be accepted by Clearing Corporation at its discretion.

c) Acceptance of such Trade(s) by Clearing Corporation shall not constitute any obligation on its part to accept such Trades on a future date nor will it bestow any right to the Member to insist on acceptance of such Trades on a future date.

E) REJECTION OF TRADES

Clearing Corporation shall have the discretion to reject Trades received by it for Settlement under the following conditions:

1. When Trades reported by the Member have exceeded the Member's Risk Eposure Limits for its Proprietary Trades and / or its Constituents' Trades.

2. When one of the parties to the TradeTrade has been suspended or has been rendered ineligible to avail of Clearing Corporation's services whether temporarily or otherwise.

3. When one of the parties to the Trade is no longer a Member or a Constituent of the Member.

4. When the Trade has been received by Clearing Corporation after Cut-Off Time, as prescribed by RBI/Clearing Corporation from time to time, rendering the Clearing and Settlement of the relative Trade for that Settlement Date impossible, for example, if the Trade(s) has been received after the commencement of the Clearing and Settlement process for that Settlement Date it shall not be possible to accept such a Trade.

5. When there is any inaccuracy in the reporting of the Trade *viz.,* incorrect Member ID, etc.

6. All Trades in 'when issued' instruments shall be rejected on cancellation of auction by RBI.
7. In the event of a disruption of any kind as provided for in Chapter IX of these Regulations.

F) STATUS OF TRADES

All Ttrades received by Clearing Corporation from its Members through any of the sources enumerated in Regulation (C) of Chapter V above for Clearing and Settlement through Clearing Corporation have to be specifically accepted for Settlement by Clearing Corporation. If at the end of a Settlement cycle, a specific Trade has not been accepted, such Trade shall be deemed to have been rejected by Clearing Corporation.

G) SETTLEMENT REGULATIONS FORM PART OF CONTRACTS

The Regulation from time to time in force relating to any procedure for Settlement of Trades and the resolutions, notices, directions and decisions of the relevant authority for the time being in force shall form part of every contract for all accepted Trades.

H) SETTLEMENT PROCESS

1. Settlement of Trades shall be effected through a process of novation, based on a 'multilateral netting basis' or 'bilateral netting basis' or 'gross basis' or 'trade for trade basis' or any other basis as may be permitted by RBI from time to time.
2. Obligations of Members arising therefrom for effecting delivery and/ or receiving Securities, and paying and/or receiving funds shall constitute the Settlement Obligations of Members.
3. Settlement shall be final and irrevocable when the net obligations are determined.

I) SETTLEMENT OBLIGATIONS OF MEMBERS

Settlement Obligations of all Trades shall be met by delivery and/or payment by the Members to the Clearing Corporation in the following manner:

1. On the Settlement Date, all Securities deliverable by Members to the Clearing Corporation shall be received by credit into the Settlement SGL Account of Clearing Corporation with RBI. For Triparty Repo Trades all Securities deliverable by Members to Clearing Corporation shall be received by credit into the TPR Repo

Settlement GILT Account maintained by Clearing Corporation.

2. On the Settlement Date, all Funds deliverable by Members to the Clearing Corporation shall be received by credit into the RTGS Settlement Account / Settlement Current Account of the Clearing Corporation with RBI and/ or the DSB (as applicable).

J) MODES OF DELIVERY

1. Clearing Corporation may from time to time prescribe different modes of deliveries and conditions relating thereto. Without prejudice to the generality of the above, modes of deliveries for all Trades are specified as under:

1.1. Security receipts and deliveries towards outright, Repo, GSL Transactions and Bond Forward Trades shall be carried out through SGL/ CSGL of the Member and / or through the GILT Accounts of the Constituent / CSGL Account of the depository for Demat trades wherever applicable. Securities receipts and deliveries towards Triparty Repo Trades shall be carried out through the Triparty Repo GILT Account of the Member and its Constituent maintained by Clearing Corporation. The RBI regulations/ guidelines relating to SGL and CSGL / GILT Accounts shall be deemed to form part of any Settlement process so prescribed.

1.2. Funds receipts and deliveries shall be effected through RTGS settlement account / Current Accounts maintained with RBI and/ or DSB. The RBI Regulations relating to RTGS Settlement Account / Current Accounts maintained with them as well as terms of the concerned DSB (where funds Settlements are to be achieved through them) shall be deemed to form part of any Settlement process so prescribed.

K) OBLIGATION REPORTS

1. Clearing Corporation shall generate and provide to each Member the following obligation reports:

1.1. Securities Obligation Report

a). Shall comprise of Security- wise position of a Member for its outright, Repo,

when issued, GSL Transactions and Bond Forward Trades, on its own account or for its Constituents, for which deliveries are to be given and/ or received by it in its SGL and CSGL Account or GILT Account maintained with RBI or the Demat Accounts maintained with a Depository Participant on a Settlement Date. In respect of Triparty Repo, a report shall be provided to the Members, comprising of Security delivered by and/ or received by the Member from/ to, their TPR GILT Account maintained with Clearing Corporation, on account of its Triparty Repo Trades on its own account or for its Constituents.

b). Shall be deemed to be Member's confirmation of Security-wise position for which deliveries are to be given and/ or received by the Member on a Settlement Date.

c). Shall be deemed to be the Member's instruction to RBI/ Clearing Corporation, for effecting these transactions in its SGL Account/ CSGL and its Constituent' s GILT Account with RBI / DEMAT Account with Depository Participant / TPR GILT Account maintained with Clearing Corporation.

d). In cases where the Settlement is through multilateral netting, the security (ISIN) wise position of a Member would represent the net position for all outright, Repo, 'when issued', GSL Transactions and Bond Forward Trades in respect of that Security for Settlement at SGL and CSGL Account or GILT / DEMAT Accounts. In case of Triparty Repo Trades the Security (ISIN) wise position for all Triparty Repo Trades would represent the net position for Settlement at TPR GILT Account maintained with Clearing Corporation.

1.2. Funds Obligation Report

a). Shall comprise of net Funds payable and/ or receivable by a Member for Proprietary Trades and Constituents' Trades made by it for all outright, repo, Repo, 'when issued', GSL Transactions, Triparty Repo Trades and Bond Forward together falling due for Settlement on Settlement Date as determined by Clearing Corporation.

b). Shall be deemed to be a Member' s confirmation of the different Trades for which, Funds are to be received from and/ or paid to the Member on Settlement Date.

c). Shall be deemed to be a Member's instructions to RBI/ DSB for effecting these transactions in its RTGS/ Current Account.

L) DELIVERY IN PART

A Member with receivable position shall accept part delivery of the Securities receivable by him. The undelivered portion of the Security shall be dealt with in accordance with Chapter VII of these Regulations relating to "Settlement Shortage and Defaults".

M) FAILURE IN DELIVERY

If a Selling Member fails to deliver Securities on Settlement Date, for itself or its Constituent, it shall be considered as an act of Shortage by that Member. Such Shortage shall be dealt with as provided in Chapter VII of these Regulations relating to "Settlement Shortage & Defaults".

N) FAILURE IN PAYMENT

If a Buying Member fails to pay Funds on Settlement Date, it shall be considered as an act of Shortage by that Member. Such Shortage shall be dealt with as provided in Chapter VII in these Regulations relating to "Settlement Shortage & Defaults".

O) FAILURE TO RECEIVE DELIVERY OF SECURITIES/ FUNDS

If a Member fails to take up Securities and/ or Funds delivered to it by Clearing Corporation on the Settlement Date, the relative Funds and/or Securities shall be retained by Clearing Corporation for and on behalf of that Member without any cost, risk and/or responsibility to itself and/or any of its officials. In that case, Clearing Corporation shall be deemed to have delivered relative Securities/ Funds on the original Settlement Date.

P) PAY OUT TO THE CONSTITUENTS BY THE CLEARING MEMBER

Clearing Member shall ensure that pay out of Funds and/or Securities are made to the respective Constituent(s) on the relevant Settlement Day.

Q) PORTING OF CONSTITUENT TRADES RECEIVED FROM A CLEARING MEMBER

Clearing Corporation may initiate Porting of outstanding Trades of Constituent in the event of default of the Constituent's existing Clearing Member.

R) RECIEPT OF FUNDS FROM CLEARING MEMBER'S CONSTITUENTS THROUGH PAYMENT GATEWAY

a). Clearing Corporation may receive Funds from the Constituent of a Clearing Member through Payment Gateway interfaced with NDS-OM.

b). The Settlement process and Risk Management for Trades received from NDS-OM interfaced with Payment Gateway, shall be as notified by Clearing Corporation from time to time.

S) PREFUNDING

Members shall be provided with an option to opt for Prefunding facility to avail Prefunded Limits facility in respect of such Trades in such Securities as may be notified by Clearing Corporation from time to time. Such Prefunding may be either for the Members themselves or on behalf of their Constituent(s). The work flow process for Prefunding facility of Funds and/or Securities shall be as notified by Clearing Corporation from time to time.

S.1 Prefunding of Collateral in form of Funds

a) Members shall effect Prefunding of Collateral in form of Funds by crediting the Funds to the account as notified by Clearing Corporation.

b) Members shall ensure that all relevant details as required to facilitate Prefunding are furnished to Clearing Corporation. Clearing Corporation shall not be held responsible or liable for any consequences arising out of failure of the same.

c) Members shall be entitled to receive Prefunded Limits against Prefunding upon receipt of confirmation by Clearing Corporation of credit of Funds to Clearing Corporation's notified account.

d) A Member may effect Prefunding within the prescribed Cut-Off Time as notified by Clearing Corporation from time to time.

e) The amount of Prefunding shall be appropriated towards the Securities Segment Funds Settlement Obligation of Members. Excess Prefunding, if any shall continue to be held by Clearing Corporation on behalf of the respective Member for availing Prefunded Limits.

f) Payout of Funds, excluding the excess Prefunding, if any, shall be made to the account of the Member.

g) No interest shall however be paid by Clearing Corporation on Prefunding provided by a Member.

h) Members shall be entitled to withdraw the excess Prefunding, if any, by giving prior notice as per the work flow process notified by Clearing Corporation.

S.2) Prefunding - of Securities

a) Members shall ensure the Prefunding of Securities by transferring Security(ies) to the designated SGL Account of the Clearing Corporation.

b) Members shall ensure that all relevant details as required to facilitate Prefunding are furnished to Clearing Corporation. Clearing Corporation shall not be held responsible or liable for any consequences arising out of failure of the same.

c) Members shall be entitled to receive Prefunded Limits against Prefunding upon receipt of Securities in Clearing Corporation's SGL Account.

d) A Member may effect Prefunding of Securities within the specified Cut-Off Time as notified by Clearing Corporation from time to time.

e) Prefunding of Securities shall be appropriated towards the Securities Segment Securities Settlement Obligation of the Members. Excess Prefunding of Securities, if any, shall continue to be held by Clearing Corporation on behalf of the respective Member for availing Prefunding Limits.

f) Pay-out of Securities, excluding the excess Prefunding of Securities, if any, shall be credited to the SGL or CSGL Account of the Member.

g) Clearing Corporation shall credit the coupon, redemption proceeds, if any, on Prefunding to respective account of the Member recorded with Clearing Corporation upon receipt of credit for the same from RBI.

h) Members shall be entitled to withdraw the excess Prefunding, if any, by submitting a prior notice as per the work flow process notified by Clearing Corporation from time to time.

CHAPTER VI: LIMITS AND MARGINS

A). MARGIN REQUIREMENTS

Clearing Corporation may, from time to time, prescribe requirements of Margins for outright, Repo, Triparty Repo and GSL Transactions, Bond Forward Trades and also borrowing limit for Triparty Repo Trades settled through Clearing Corporation and the Members shall furnish such Margins and Collateral for borrowing limit on their own account and on account of their Constituents as a condition precedent.

B). MARGIN COMPONENTS

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

1. Initial Margin

Initial Margin constitutes the Margin obligation required to be fulfilled by a Member as its contribution to MCC / TPR Collateral in relation to risk exposure on outstanding Trades accepted for Clearing and Settlement by Clearing Corporation in respect of that Member and its Constituents.

2. Mark to Market Margin

Mark to Market (MTM) Margin constitutes the Margin obligation required to be fulfilled by a Member as its contribution to MCC / TPR Collateral in relation to adverse price movements arising out of the daily marking to market exercise (outlined in the Chapter relating to "Risk Management" in these Regulations) on outstanding Trades accepted for Clearing and Settlement by Clearing Corporation in respect of that Member and its Constituents.

3. Volatility Margin

Volatility Margin constitutes the Margin obligations required to be fulfilled by a Member as its contribution to MCC / TPR Collateral in relation to sudden increase in Volatility in interest rates / bond prices and shall be applied, at the discretion of Clearing Corporation, on

I. outstanding Trades in respect of a Member and its Constituents; and/or

II. Securities contribution to MCC/ TPR Collateral.

The Members shall be duly notified by Clearing Corporation prior to the collection and/ or maintenance of volatility Margin, as and when needed.

4. Concentration Margin

Concentration Margin constitutes the Margin Obligation required to be fulfilled by a Member in relation to its outstanding exposure including the exposure on account of its Constituents to a Security or to a group of Securities, for a Settlement Date or for a number of Settlement Dates, beyond pre-determined limit(s).

Clearing Corporation shall, when ever required, stipulate such Margin from any future date after due notification to its Members.

5. Stress Loss Margin

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

6. Borrowing Limit

Clearing Corporation shall determine the borrowing limit separately for Members and each of their Constituents for their borrowings under Triparty Repo Trades. The borrowing limit shall be determined after valuation of Securities in Member's and each of its Constituent's TPR GILT Accounts as notified by Clearing Corporation from time to time. The limit so determined shall be available for borrowing by the Member and its Constituents respectively under Triparty Repo. Clearing Corporation may at its sole discretion appropriate unutilized balances in the borrowing limit of the Member and its Constituent towards their initial Margin requirements for Triparty Repo Trades.

C). LIEN ON MARGINS

A Member' s contribution (including contributions made for its Constituents) by way of Margins either in the form of cashor Securities shall be subject to a first and paramount lien for all sums due to Clearing Corporation by such Member. However, any sum due from the Member, shall not be utilized from the Margin contribution of the Constituent or when it is for a Constituent, it shall not be from the contributions for other Constituents.

Provided however that, in the event of a shortfall or any sum due from the Constituent, Clearing Corporation may utlize the Member' s contribution.

Margin shall be available in preference to all other claims against the Member for the due 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.

D). SUSPENSION ON FAILURE TO PAY MARGIN

Notwithstanding anything contained elsewhere in these Regulations: -

1. If a Member fails to fulfill its Margin Obligation on more than six occasions in a financial half year, Clearing Corporation shall be entitled to temporarily suspend the membership rights of such a Member.
2. A Member, in the event of shortfall in its Margin / borrowing limit shall be deactivated from the Triparty Repo Dealing System/ reporting module operated by Clearcorp, on receipt of such direction from Clearing Corporation. Clearing Corporation shall direct Clearcorp to reactivate such Member on its dealing system upon replenishment of the Margin / borrowing limit.
3. A Member shall be liable to pay penalty when notified by Clearing Corporation on the 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 default is paid / replenished by the defaulting Member on the next Business Day. However, in the event of failure by a Member to honor its obligation on the next Business Day, as above, the actual number of days including intervening holidays, Sunday and non -Business Days shall be reckoned for calculation of penalty amount.
4. Clearing Corporation shall be entitled to recover additional penalties/ charges from the Member as per rates notified by Clearing Corporation from time to time.
5. In case of Margin shortfall by a Member, Clearing Corporation, at its sole discretion, may withhold Securities or Punds Pay-out to such Member. Such withheld Securities or Funds would qualify for release only on the Member meeting the Margin Shortfall.
6. The membership of a Member who has been subjected to temporary suspension due to non–fulfillment of Margin Obligation on more than six occasions in a financial half year shall automatically come up for review.
7. Clearing Corporation may reinstate a suspended Member upon a review of its action in fulfillment of its Margin Obligations and interest/ other charges due to Clearing Corporation.

E). Margin Reporting by Clearing Member

A Clearing Member who has deposited Margin for a group of Constituents shall report the value of the Margin allocated by it for each of its Constituent/s in that group. Such reporting shall be carried out in a manner as notified by Clearing Corporation and may be done multiple times during the day. Where such value of Margin reported as allocated by the Clearing Member to any Constituent exceeds the actual Margin Obligation computed for such Constituent, the Clearing Corporation shall block such excess amount from the Margin made available by the Clearing Member.

F). Margin deposited by Clearing Member on account of the Constituents

1. The Clearing Member shall in respect of its Constituents deposit with Clearing Corporation Margin in the form of cashand / or eligible Securities. Where such Margin is deposited for a group of Constituents, the Clearing Corporation shall be entitled to rely on the information received from a Clearing Member in terms of E above with respect to the Margin allocated by it for each of the Constituents in that group.
2. The Clearing Member shall also ensure that such Margin deposited by it on behalf of a Constituent or a group of Constituents shall at all times be at least equal to the total Margin Obligation of such Constituent or group of Constituents. Provided however, where the Margin allocated in terms of Regulation (E) above is higher than the Margin Obligation of one or more Constituents in a group, the Clearing Member shall ensure that the Margin deposited for the group is adequate to cover such excess amount allocated. Margin Obligation shall mean Margin Obligation of the Member drawn from the MCC.
3. Margin shortfalls if any on account of Constituents shall be covered from the excess Margins made available by the Clearing Member on its own account.

CHAPTER VII: SETTLEMENT SHORTAGE & DEFAULTS

A). SETTLEMENT SHORTAGE

Failure of a Member (hereinafter referred to as a "Member in shortage") to discharge its Proprietary and/or Constituents' obligation in full or in part to deliver Funds and/or Securities due from it at the time of Settlement shall be treated as a Settlement Shortage.

B). DECLARATION OF DEFAULT

A Member, for the purpose of these Regulations may be declared as a defaulter in the event of:

A. Failure to replenish its Settlement Shortage within the stipulated Cut- Off time.

B. Failure to replenish its and / or its Constituent(s) Margin Obligation within the stipulated Cut-Off time.

C. Inability to pay within specified time the damages and the price differences due on account of Close-Out effected as per Bye- Laws and Rules of Clearing Corporation.

D. Failure of a Member to replenish the Default Fund contribution within the time stipulated.

E. Insolvency or dissolution or winding up of the Members.

F. Declaration of the Member as a "Defaulter" in any other Segment.

G. Under any other circumstances as may be set out in the Bye-Laws and Rules of Clearing Corporation.

Provided if the Member in shortage has been placed under moratorium or any other directions by RBI due to which such Member is not able to replenish the Shortage then the appropriation of withheld Securities and / or cashincluding its MCC/ TPR Collateral contributions may be initiated by Clearing Corporation without declaring such Member as a Defaulter. The penalty, charges and other cost applicable shall be as notified to such Member.

C). DELIVERIES DUE TO THE MEMBER IN SHORTAGE/ DEFAULTER

1. Clearing Corporation shall have absolute and paramount rights/ lien overall securities and/ or funds due to the Member in shortage/ Defaulter.

2. Securities/ Funds held back by Clearing Corporation from a Member in shortage/ Defaulter' s Settlement Obligations and/or MCC/ TPR Collateral contributions shall be

deemed to have been received by it and delivered by it to Clearing Corporation towards meeting its shortage/ Default Obligation without any cost to Clearing Corporation.

3. Clearing Corporation shall have the right to dispose of the Securities and apply the relative sale proceeds and/ or Funds withheld from the defaulter, to make good any non-payment of Funds or non-delivery of Securities by the defaulter.

4. Clearing Corporation may not permit any withdrawal by the Member- in- Shortage from its MCC/ TPR Collateral contribution until the replenishment / recovery / payment of all its dues to Clearing Corporation arising out of such shortage.

D). PENALTY ON SETTLEMENT SHORTAGE / DEFAULT

Clearing Corporation shall impose on a Member in shortage / defaulter, penalty and such other charges as may be notified by Clearing Corporation from time to time. While computing number of days for levying penalty, only Business Days may be reckoned provided such penalty and shortage obligation is paid / replenished by the Member- in-shortage on the next Business Day after the day on which Settlement Shortage occurs. However, in the event of failure by a Memberg to honor its obligation on the next Business Day, as above, the actual number of days including intervening holidays, Sunday and non-business days shall be reckoned for calculation of penalty amount.

E). WITHHOLDING OF SECURITIES AND FUNDS

Notwithstanding anything contained in these Regulations, Clearing Corporation may withhold, for such period(s) as it may decide, pay-out of any Securities and/ or Funds including Securities and/ or Funds constituting Margins for Proprietary Trades and / or Constituents' Trades, without any cost to Clearing Corporation, if a Member has not delivered the required Securities Obligation or failed to discharge its payment Obligations on the Settlement Date; or

(1) a Member fails to satisfy the Margin requirements for itself and/or its Constituent(s); or

(2) a Member fail s to fulfill any obligations arising out of Bye-Laws, Rules and Regulations.

F). SHORTAGE HANDLING PROCEDURE

1. Shortage of Funds

1.1. Subject to other provisions of these Regulations, Clearing Corporation shall make

good the Funds shortage, at the cost of the Member in shortage, by availing the Funds line of credit / liquidity available or by borrowing Funds from the market.. The Securities deliverable to the Member in shortage for itself and / or its Constituent(s) shall be withheld to cover the value of shortfall together with such amount to cover interest on the Funds outlay and any fluctuation in price of Security(ies), until final Settlement. Such Security(ies) shall be valued at the lowest price of the outright Trades received for Settlement on the day of shortage (excluding Trades below Rs. 5 crores (reckoned on the basis of face value) and Trades at off-market price as identified by Clearing Corporation at its sole reasonable discretion) along with the proportionate accrued interest. If no Trade in such Security/Securities (ies) is received for Settlement by Clearing Corporation on such day, then at its sole discretion, the Clearing Corporation may value such Securities at either its Mark to Market price or a price considered fair by it and an additional amount will be provided to cover the price fluctuations till final Settlement. Such Securities withheld shall be the minimum face value of lot size or multiples of such lot size as notified by Clearing Corporation from time to time. In case the value of the Security deliverable is insufficient to cover the shortfall as above or the value of the shortfall is very small, Clearing Corporation shall be entitled, at its sole discretion, to block the Margin contributions of the Member (i.e. free balances in its MCC account) to cover shortfall amount.

In case such funds shortage is on part of:

(1) a borrower on Triparty Repo Trade reversal date, then Securities equivalent in value to the extent of repayment amount along with other cost and charges towards utilization of lines of credit and price fluctuations of underlying Collateral shall be withheld by Clearing Corporation.

(2) a lender not paying funds on Triparty Repo 1st leg Settlement Date, then initial Margin and corresponding credit of Securities equivalent in value to the extent of lending along with other cost and charges towards utilization of lines of credit shall be withheld by Clearing Corporation.

1.2. Shortage allocation: Clearing Corporation shall initiate all measures as are prudent and necessary to meet funds shortage in order to ensure that Trades are settled and all Members except the Member in shortage, receive Funds and/ or Securities due to them. However, in the event of Clearing Corporation not being in a position to meet the funds shortfall, Clearing Corporation shall have the right

to allocate such shortage among the other Members with net Funds receivable positions (hereinafter referred to as 'Allocatee Members') and the Allocatee Member(s) shall be deemed to have given consent to such shortage allocation. The identification of the Members to whom the shortage to be allocated shall be as notified by Clearing Corporation from time to time.

1.3. The Member- in- shortage/ defaulter shall be liable to meet its Obligations in terms of sub-Regulation (G) below relating to "Effects of Settlement Shortage / Default".

1.4. In case of the shortage allocation as in 1.2 above the Member in shortage/ defaulter shall be liable to pay:

(a) amount equivalent to loss incurred by Allocatee Members due to fall in price, if any, of the relative Securities; and

(b) charges and penalties as notified by Clearing Corporation from time to time.

1.5. In cases of shortage allocation, the Allocatee Members shall be entitled to receive amount equivalent to loss incurred by it, if any, due to fall in, value of the relative Securitiey (ies) on the next Business Day.

1.6. The fall in value of relative Securities shall be computed based on difference between the price (including proportionate accrued interest) at which the relative Securities have been sold by the Allocatee Member on the business day next to the date of such shortage allocation and the price (including accrued interest) at which shortage was valued as per sub-Regulation 1.2 above. However, when the Allocatee Member does the Trade at a price, which in the opinion of Clearing Corporation is not in line with market price for the Security at the material time, difference between the price at which shortage was valued on the day of shortage and either the mark to market price or a price considered fair by Clearing Corporation as decided at its sole discretion on the next Business Day shall be the basis for computation of the compensation.;

1.7. Any loss suffered by the non-defaulting Member on account of the sale of the said Securities due to fall in the price on the next Business Day is required to be claimed by the Allocatee Member(s) in writing within two business days from the date of shortage Allocation.

2. Shortage of Securities

2.1. Subject to other provisions of these Regulations, Clearing Corporation shall make good the Securities shortage, at the cost of the Member in shortage, from the

Clearing Corporations' SGL account and/ or MCC and / or the securities line of credit available. The Funds deliverable to the Member in shortage shall be withheld to cover the amount of shortfall. To arrive at the value of shortfall, the highest price of the outright Trades received for Settlement on the day of shortage (excluding Trades below Rs. 5 crores (face value) and off-market Trades as identified by Clearing Corporation) a long with proportionate accrued interest shall be considered. If no Trade in such Security(ies) is received for Settlement by Clearing Corporation on such day, then at its sole discretion Clearing Corporation may value such Securities at either its mark to market price or a price considered fair by it. In the event no Funds are payable to the Member in shortage or Funds payable are insufficient to cover the shortfall, Securities deliverable to the Member in shortage shall be withheld to cover the value of shortfall. Such Security (ies) shall be valued at the lowest price of the outright Trades received for Settlement on the day of Default (excluding Trades below Rs. 5 crores (face value) and off-market Trades as identified by Clearing Corporation) along with the proportionate accrued interest. If no Trade in such Security (ies) is received for Settlement by Clearing Corporation on such day, then at its sole discretion, Clearing Corporation may value the Securities on the basis of the mark to market price or a price considered fair by it. An additional amount shall also be provided to cover the price fluctuations till final Settlement and other charges as per sub-Regulation 2.5 below. Such Securities withheld shall be the minimum face value or multiples of lot size as notified by Clearing Corporation from time to time. In case the value of the Funds/ Securities withheld is insufficient to cover the shortfall as above or the value of shortfall is very small, Clearing Corporation shall be entitled, at its sole discretion, to block the Margins contributions of the Member and/ or its Constituent to whom the shortage is identified (i. e. free balances in its MCC account) to cover shortfall amount.

2.2. Shortage allocation: - Clearing Corporation shall initiate all measures that are prudent and necessary to meet securities shortage to ensure that Trades are settled and all Members except the Member- in- shortage, receive Funds and / or Securities as due to them. However, in the event of Clearing Corporation not being in a position to meet the shortfall in a particular Security, Clearing Corporation shall have the right to allocate such shortfall. The identification of the Members (Allocatee Members) to whom the shortage is to be allocated shall

be as notified by Clearing Corporation from time to time. The Allocatee Members having net receivable position in that security, shall be compensated by paying them cash compensation as described below. Such compensation will be paid based on the highest price of the outright Trades received for Settlement on the day of shortage (excluding trades below Rs. 5 crores (face value) and off-market trades as identified by Clearing Corporation) along with the proportionate accrued interest. If no Trade in such Security (ies) is received for Settlement by Clearing Corporation on such day then at its sole discretion Clearing Corporation may value such Securities at either its mark to market price or a price considered fair by it. Such Members to whom shortage has been allocated shall be deemed to have given consent to such allocation of the shortfall. Clearing Corporation in specific cases may be in a position to allocate such shortage to the counterparty(s) of the defaulting Member wherever feasible at its sole discretion at the traded price. If such shortage allocation is on account of a Member' s Repo 1st leg of transaction, then Clearing Corporation may withdraw the 2 nd leg for the equivalent face value of the Security from its 2nd leg Repo transaction due for Settlement at future date. In case of GSL Transactions consisting of two Repo Trades, for a shortage in one of the Repos, if allocated to the counterparty of the Trade, only the corresponding 2nd leg for that Repo will be withdrawn from Settlement by Clearing Corporation.

2.3. In the event of Allocatee Member opting for Securities substitution in lieu of the Security in which there is a shortage, Clearing Corporation may provide another liquid Security of equivalent value if the Member has indicated its willingness for such substitution in writing well in advance. Such mandate from the Member shall be in force till its revocation by such Member. For the purpose of valuation of Securities under substitution, mark to market prices of Clearing Corporation and the accrued interest will be taken into consideration. However, this procedure will be implemented after getting appropriate regulatory approval and with due notification.

2.4. The Member in shortage/ defaulter shall be liable to meet its obligations in terms of sub-Regulation(G) below relating to "Effects of Settlement Shortage/ Default".

2.5. If Clearing Corporation resorts to the provisions of sub-Regulation (2. 2) above, the Member in shortage shall be liable to pay as under:

(a). An amount equivalent to the loss due to the increase in price on the next Business Day, if any, of the relative Security(ies) claimed by Allocatee Member(s) and/ or in case of Repo Trades, if allocated at trade price, loss of Repo interest on Funds (total consideration) upto a maximum of Repo interest of the Trade on Funds remained undeployed.

(b). Charges, penalties and any incidental charges for Security shortage as notified by Clearing Corporation from time to time.

2.6. If Clearing Corporation resorts to action under the provisions of Regulation at (2.2) above, the Allocatee Member shall be entitled to receive:

(a) amount(s) equivalent to loss due to rise in price, if any, of such Securities; or

(b) in case of Repo Trades, if allocated at Trade price, loss of interest upto a maximum of Repo interest of the Trade on Funds remaining undeployed.

2.7. The increase in value of the Securities shall be computed as the differential between the price/ weighted average price at which such Securities are bought by the Allocatee Member(s) on the Business Day next to the shortage date and the price at which such Security was valued for allocation on the date of shortage. However, when the non-defaulting Member does the Trade at a price which in the opinion of Clearing Corporation is not in conformity with market price for the security at the time of trade, difference between the shortage valuation price on the date of Default and either mark to marker price on the next Business Day or a price considered fair by Clearing Corporation at its sole discretion shall be the basis for computation of the compensation.

2.8. Any loss suffered by the Allocatee Member due to rise in the price of the Security on the next Business Day is required to be claimed by such Member(s) in writing within two working days from the date of allocation.

2.9. To facilitate creation of marketable lots in case of a shortage allocation, Clearing Corporation shall have absolute and paramount right to utilize only a rounded off portion from the Security balance lying in the SGL Account of the Member in shortage / defaulter, for Settlement of his Securities Obligation.

G). EFFECT OF SETTLEMENT SHORTAGE / DEFAULT

The process outlined below shall be contingent upon the occurrence of a Shortage/ Default:

1. Funds Shortage/Default

1.1. The Member in Shortage/ defaulter shall be liable to make good the payment equivalent to the shortfall together with charges, penalties and other levies as, notified by Clearing Corporation from time to time, within the specified Cut-Off time. Provided however, in the event of any shortfall by a Clearing Member, the amount(s) received from any Constituent of the Clearing Member through the NDS-OM Payment Gateway, shall be reduced from the total shortfall position and only the balance amount shall be considered as "shortage" and dealt in accordance with the "Settlement Shortage and Defaults" chapter of the Regulations.

1.2. Clearing Corporation, upon confirmation about receipt of Funds into its Current/ RTGS Settlement Account, shall arrange to return the Securities/ MCC/ TPR Collateral withheld from the Member in shortage.

1.3. In the event of the Member in shortage not making payment equivalent to the shortage together with charges, penalties and other levies as described above, Clearing Corporation shall have the right to declare the Member as a defaulter. Upon declaration of such Member as a defaulter, Clearing Corporation may sell and/ or dispose off, in any manner it may deem fit, the Securities withheld from the defaulter adequate to cover the default obligation and apply the proceeds for discharge of the defaulter' s Obligation. Excess amounts, if any, realized from such sale/ disposal shall be payable to the defaulter together with excess unsold Securities withheld, if any.

1.4. In the event of the sale proceeds of the Securities withheld from the defaulter not fully sufficient to cover the Default Obligation, Clearing Corporation shall appropriate the defaulter's cash contribution to MCC/ TPR Collateral towards recovery of its Default Obligation.

1.5. In the event of the sale proceeds of the Securities withheld from the defaulter and its cash contribution to MCC / TPR Collateral not fully sufficient to cover the Default Obligation, Clearing Corporation shall sell and/ or dispose off, in any manner as it may deem fit (adequate to cover the Default Obligation), the defaulter' s Securities contribution to MCC/TPR Collateral towards recovery of its Default Obligation.

1.6. In the event of the sale proceeds of the Securities withheld from the Member-in-

Shortage/ defaulter and its cash and Securities contribution to MCC/TPR Collateral not fully sufficient to cover the Default Obligation, the defaulter shall be liable to meet the shortfall in its Default Obligation to Clearing Corporation together with interest, charges, and penalties at the applicable rate as specified by Clearing Corporation.

1.7. In case the Securities, withheld from the Member in shortage/ defaulter, enter into a Shut Period on the date when the sale/ disposal process falls due under these Regulations, the redemption proceeds received by Clearing Corporation shall be used to cover the Default Obligations.

1.8. In case the Securities withheld from the defaulter under these Regulations are not saleable, the Securities contributed by the defaulter to MCC/ TPR Collateral may be disposed off pending sale/ disposal of the withheld Securities.

1.9. In case the Securities contributed by defaulter to MCC/ TPR Collateral, enter into a Shut Period on the date when the sale/ disposal process falls due under these Regulations, the redemption proceeds received by Clearing Corporation shall be used to cover the Default Obligations.

2. Securities Shortage / Default

2.1. The Member committing Security shortage shall be liable to deliver the Security in which shortage has been committed, together with charges, penalties and other levies within the specified cutoff time as notified by Clearing Corporation from time to time. In case the security in which shortage has been committed enters into Shut Period, the Member in shortage shall be liable to deliver the redemption proceeds including interest amount on such Security(ies) and Clearing Corporation shall be entitled to receive such amount. Clearing Corporation, upon confirmation about receipt of redemption proceeds along with interest due, shall arrange to return the funds and/ or securities withheld from the Member in shortage.

2.2. In case Clearing Corporation has delivered another Security in substitution of the Security under shortage as opted by the Allocatee Member in terms of provisions of sub-Regulation 2.3 of shortage handling procedure above, the Member in shortage shall deliver the substituted Security to Clearing Corporation (Security delivered by Clearing Corporation to the Allocatee Member) together with charges, penalties and other levies as notified by Clearing Corporation from time

to time. Clearing Corporation, upon receipt of confirmation about receipt of securities into its SGL Account, shall arrange to return the funds and/ or securities withheld from the Member in shortage.)

2.3. In the event of the Member in shortage not delivering the Securities in which shortage has been committed or the substituted Security as indicated in clause 2. 2 above together with charges, penalties and other levies as described above, Clearing Corporation shall have the right to declare the Member as a defaulter. Upon declaration of such Member as a defaulter, Clearing corporation may appropriate Funds withheld and/ or sell and/ or dispose off the Securities withheld from the defaulter (adequate to cover the Default Obligation) in any manner as it may deem fit and apply the proceeds thereof for purchase of the Securities in which Default has been committed or the Security (ies) substituted. Excess amounts, if any, realized out of such appropriation/ sale/ disposal shall be payable to the defaulter together with excess unsold Securities withheld, if any, after adjustment of charges, penalty, fees as described above.

2.4. In the event of the Funds appropriated and sale proceeds of the Securities withheld from the defaulter not fully sufficient to cover the Default Obligation, Clearing Corporation shall appropriate the defaulter's cash contribution to MCC/ TPR Collateral and apply the same towards discharge of Default Obligation.

2.5. In the event of the Funds appropriated and the sale proceeds of the Securities withheld from the defaulter and its cash contribution to MCC / TPR Collateral not fully sufficient to cover the Default Obligation, Clearing Corporation shall sell and/ or dispose off, the defaulter's Securities contribution to MCC / TPR Collateral towards recovery of Default Obligation in any manner as it may deem fit under the circumstances (in market lots, adequate to cover the Default Obligation).

2.6. In the event of the Funds appropriated and the sale proceeds of the Securities withheld from the defaulter and its cash and Securities contribution to MCC / TPR Collateral not fully sufficient to cover the Default Obligation, the defaulter shall be liable to meet the shortfall in his Default Obligation to Clearing Corporation together with interest, charges, penalties as notified by Clearing Corporation from time to time.

2.7. In case the Securities withheld from the defaulter enter into a Shut Period on the date on which the sale/ disposal process falls due under these Regulations, the

redemption proceeds received by Clearing Corporation shall be used to cover the Default Obligations.

2.8. In case the Securities withheld from the defaulter under these Regulations are not saleable, the Securities contributed by the defaulter to MCC / TPR Collateral shall be disposed off pending sale/ disposal of the withheld Securities.

2.9. In case the Securities contributed by defaulter to MCC/ TPR Collateral enter into Shut Period on the date on which the sale/ disposal process falls due under these Regulations, the redemption proceeds received by Clearing Corporation shall be used to cover the Default Obligations.

3. Default Handling Process

In case the defaulter's Obligations to Clearing Corporation are not fully recovered in terms of Regulation G-1 and Regulation G-2 above, the Default Handling Process in terms of Chapter XVI " Default Fund" Regulation "I"–"Utilisation" shall be initiated by Clearing Corporation.

4. Reporting of shortages

All instances of Funds and Securities shortages of Members/ TPR Collateral encountered by Clearing Corporation, whether settled or/ allocated, shall be promptly reported to of India RBI as required, giving all the necessary details.

H). 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 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 7 (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 2 (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.

CHAPTER VIII: RISK MANAGEMENT

A). SCOPE OF RISK MANAGEMENT PRACTICES

I. Outright, market repo, GSL Transactions and Bond Forward Trades (other than Triparty Repo Trades)

1. Clearing Corporation shall cover its risk through prescription of initial Margin, MTM Margin, volatility Margin, concentration Margin and Stress Loss Margin.

Provided however that, Margin requirements shall not apply where Prefunding is received by the Clearing Corporation.

2. Notwithstanding anything contained herein, Clearing Corporation shall have the sole discretion to improve upon and perfect its practices relating to risk containment measures from time to time.

3. The values of outstanding Trades shall be converted into equivalent risk exposure numbers by using Security specific risk exposure factors (expressed in terms of percentage based on "Value at Risk" or such other means as may be decided by Clearing Corporation) and each Member shall be required to provide for initial Margin to the extent of such amounts as corresponds to Member' s value of outstanding Trades. Clearing Corporation shall be entitled to modify the risk exposure factors at such periodicity as it may deem fit.

4. Clearing Corporation, after due notification, may be entitled to set higher Margin factors for different Members, based on the credit assessment by Clearing Corporation.

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 rating 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/step-up the Margins of a Member in case of any regulatory actions/ deterioration in financial position/ adverse market report etc. Where such Member acts as a Clearing Member for Clearing the Trades of its Constituents, an additional hike/step-up in Margin may be applied by Clearing Corporation. Where higher margin factors are set for the Trades of a Clearing Member, such higher margin factors shall also be applicable to all Trades of its Constituents.

5. Clearing Corporation may, after due notification, set prudential limit for each Member in terms of its aggregate outstanding Trade exposure of the Member (in terms of total consideration 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 Members exceeding such limit, Clearing Corporation may be entitled to set higher Margin for the Member in respect of Trades which are in excess of such limits.

6. Bond Forward Trades shall be subject to checks for adequacy of Margins. The day of commencement of such exposure check shall be a date notified by Clearing Corporation falling prior to the Settlement Date of the Bond Forward Trade.

7. Clearing Corporation may set additional initial Margin for Trades conducted by a Member at off-market prices. Such Margin shall be payable by the seller of the Security if the prices are set lower than market price, or by the buyer of the Security if the prices set higher than the market price. Such Margin shall be equal to the difference between the traded price and the market price.

Such Margin shall be released after the concerned Trade is marked to market margin and MTM Margin on such Trade has been actually collected from the concerned counterparty.

8. The MTM Margin shall be worked out based on the price movements on the underlying Securities corresponding to each Trade. For computing price changes, mark to market price as described in sub-Regulation (B) below shall be compared against the Trade price.

II. Triparty Repo Trades

1. Clearing Corporation shall adopt the following risk management practices for Triparty Repo Trades:

i. Clearing Corporation shall cover its risk by prescribing borrowing limit, initial Margin, MTM Margin and volatility Margin. The Securities in the TPR GILT Accounts of the Member and its Constituent shall be subjected to a valuation exercise during the day and at the end of each Business Day to ensure that the borrowings of the Member including its Constituents are fully collateralised at any point of time and its initial Margin Obligations stands fully met. The valuation shall be carried out using the mark to market price computed by Clearing Corporation.

ii. Clearing Corporation may, at its discretion, specify rates of haircut in percentage terms for all eligible Securities as Collateral in terms of Regulation B (3) of Chapter IV. Such haircut rates shall be applied on the mark to market price of such Securities. Clearing Corporation shall have the authority to modify such rates at such periodicity as it may deem fit.

iii. Clearing Corporation may, at its discretion and after due notification, set different set of haircut rates for different classes of Members, based on their nature of business, net worth or such other factors as may be decided by the Clearing Corporation from time to time.

iv. Clearing Corporation may, after due notification to respective Member, set single order Limit/ prudential limit for each Member and its Constituent(s) in terms of its respective aggregate outstanding orders or Trades. Such limit may be set based on their nature of business, net worth, credit rating/ grading or such other factors as may be decided by the Clearing Corporation from time to time. In the event of Member exceeding such limit, Clearing Corporation shall be entitled to set higher initial Margin rates for the Member in respect of Trades which are in excess of such limits.

Clearing Corporation may take the assistance of any reputed rating agency/ subsidiary for arriving at such ratings and the decision of Clearing Corporation in regard to the selection of rating agency/ subsidiary 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 impose restrictions on the exposure limits in case of any regulatory actions/ deterioration in financial position/ adverse market report etc.

v. Clearing Member may, under advice to Clearing Corporation, set prudential limit for each of its Constituents in terms of such Constituent's aggregate outstanding Trades.

vi. Members shall be provided with an option for Prefunding which will be earmarked towards borrowing and/or lending limit(s).

B). MARK - TO - MARKET PRICE

1. Mark to market price shall be computed as notified by Clearing Corporation from time to time.

C). PROCESS

1. Initial Margin

I. Outright, market Repo, GSL Transactions and Bond Forward Trades (other than Triparty Repo Trades)

1.1. The initial Margin Obligation of each Member / Constituent in respect of each of its outstanding Trades shall be computed by multiplying the value of the relative Security(ies) with the corresponding risk exposure numbers (termed as Margin factors) as described in Regulation A 1 above; (value for this purpose shall mean total consideration of the Trade. Clearing Corporation may, after due notification, consider the value of the Trade at its Mark-to-Market price after the process of marking to market of the Trade is over or after subjecting Trades done at off-market prices to additional initial Margin). The Margin shall be computed for Proprietary Trades of the Clearing Member and for the Trades of each of its Constituents and no offset shall be made available between the Proprietary Trades and Trades of Constituents or between Trades of two Constituents.

1.2. The sum total of the initial Margins of each individual outstanding Trade for a Member, as computed in sub-Regulation C1 (1.1) above, shall form the initial margin obligation of that Member.

1.3. A Member's initial margin obligation shall be computed online on a Trade by Trade basis, immediately on receipt of the Trade and/or as at the Cut-Off time of each Trading Session of a Business Day on a Trade by Trade basis and shall form the basis for deciding whether that Member' s Trade(s) has exceeded its Risk Exposure Limit.

1.4. While aggregating initial Margin on each outstanding Trade as described above, the Trades of the Member and the Trades of each of its Constituents shall be grouped separately. In each such group, offset shall be allowed between initial Margins on buy Trades and sale Trades in same Security for same Settlement Date except when such buy or sell Trade is a Repo or GSL Transaction 1st leg. For such Trades, lower of the net buy quantity and net sale quantity in the particular Security having same Settlement Date would be arrived at. Thereafter, difference in the amount payable for the buy quantity would be compared against amount receivable on the sale quantity, using first in - first out principle. If the difference is positive i. e.

payable amount is higher than receivable amount, such difference would be treated as initial Margin for such group of Trades. Any residual buy or sale amount shall be subjected to initial margin as if the Trade is concluded by the Member only for such residual amount. This provision shall come into effect upon notification by Clearing Corporation.

1.5. While computing the difference amount for initial Margin as mentioned in Regulation C 1(1.4) above, the 1st leg of Repo deals shall be excluded from such computation.

1.6. The initial Margin in respect of a Repo and/or Reverse Repo and/or GSL Transaction(s) shall be computed based on the value of the first leg of the Trade till its Settlement. Thereafter, initial Margin in respect of the Transaction shall be computed based on the value of the Settlement of second leg of the Trade.

1.7. If the first leg of a Repo/ Reverse Repo / GSL Transaction is to trigger any offset against any other outstanding Trade, as per Regulation C 1 (1. 4) above, the value of the first leg of the Trade shall be ignored for computation of initial Margin. If such Trade has, however, been done at off market price, the trade may be subjected to additional initial Margin requirement as described i n Regulation A I (1. 6) above.

1.8. In Regulation C 1 (I - 1.6) above, if the value of the first leg of the Trade is higher than the net outstanding Trade position in the Security in relation to which it is to trigger offset, initial Margin shall be computed for the amount of difference between the value of the first leg of the Repo/ Reverse Repo Trade and the net outstanding value of the Trade positions in the said Security. Such amount shall be treated as initial Margin against the first leg of such Repo/ Reverse Repo Trade.

II. Triparty Repo Trades

1.1. The initial Margin for Triparty Repo Trades shall be arrived at based on Value at Risk or such other means as may be decided by Clearing Corporation from time to time and such factors shall be expressed as a percentage of the 2 nd leg consideration. Clearing Corporation may however set different initial Margin rates for Triparty Repo Trades having different maturity periods. Clearing Corporation may, however, at its discretion, set

uniform initial margin factor for all Triparty Repo Trades.

1.2. Clearing Corporation may, at its discretion and after due notification, set different initial Margin rates for different Members and/or Constituents of Clearing Member, based on their nature of business, net worth or such other factors as may be decided by the Clearing Corporation from time to time.

1.3. The initial Margin obligations for Triparty Repo deals shall be computed by multiplying the 2nd leg consideration of each trade with the corresponding specific initial Margin rates or the uniform margin factor, as applicable for the Member and then aggregating the Margin Obligations.

1.4. Provided that if a Member or its Constituent have borrowing and lending in Triparty Repo of same 2nd leg maturity date, and if such Trades have resulted in a net loss computed on a first in first out basis, then such loss would also be added to its initial Margin liability.

2. Mark to Market Margin

I. Outright, market Repo, GSL Transactions and Bond Forward Trades (other than Triparty Repo Trades)

2.1. A Member shall be liable to maintain MTM Margin in respect of adverse positions on its outstanding Trades.

2.2. The MTM Margin Obligation shall be computed in respect of each such Trade(s) by multiplying the value of relative Securities with the corresponding price movement as described in sub- Regulation A I (3) above.

2.3. The sum total of MTM Margins of each individual outstanding Trade as computed in Sub- Regulation 2-I (2. 2) above shall form the MTM Margin Obligation of the Member and / or its Constituents and such Margin shall be maintained till the Settlement of such trade.

2.4. While aggregating MTM Margin on each outstanding Trade as described above, the Trades of the Member and the Trades of each of its Constituents shall be grouped separately. In each such group, offset shall be allowed between MTM Margins on buy Trades and sell Trades in same Security for same Settlement Date (i.e. if MTM Margin is recoverable from a Member for its his buy Trades on a Security for a Settlement Date, such Margin amount shall be reduced by the notional MTM gain on the sale Trades of

the same Member in the same Security for the same Settlement Date. Reverse would be the case if MTM Margin is recoverable from a Member for its sale Trades).

2.5. A MTM Margin Obligation shall be computed as at the end of each Business Day and shall be valid till its computation as at the end of the subsequent Business Day. In case of high Volatility, Clearing Corporation shall also collect MTM Margin on intra-day basis from the Members/ their Constituents.

2.6. Provided that, in case of Bond Forward Trades and outright Trades reported by either of the counter-parties on a day other than the day of the trade, Clearing Corporation shall be entitled to recover MTM Margin for such trade before acceptance for guaranteed Settlement.

2.7. The first leg of a Repo/ Reverse repo/ GSL Transaction shall not be subjected to any MTM Margin requirement. If, however, the Trade has been conducted at off-market prices so as to attract additional initial Margin in terms of Regulation A-I(6) above, mark to market loss, if any, will be collected from such Members or their Constituents. However, no benefit would be extended for mark to market profit on such Trades.

2.8. MTM Margin shall be payable on the second leg of a Repo/ Reverse Repo/ GSL Transaction in the usual manner. Such Margin, however, shall become payable at the end of the day prior to the Settlement of first leg of the concerned Trade.

2.9. A portion of the MTM Margin shall be payable within the stipulated time of the next Business Day. This portion, to be denoted as incremental MTM Margin will comprise of MTM Margin in respect of fresh deals received during the day and any increase in MTM Margin on Trades outstanding as on previous Busines Day. Provided that, any additional initial Margin liability in terms of Regulation A-I(6), initial Margin liability in respect of offsetting deals in terms of Regulation C-1(1.4) and additional MTM Margin liability in terms of Regulation 3(3.5) in so far it relates to the change in value of the outstanding Trades will not be taken into consideration for the purpose of computation of incremental MTM Margin.

II. Triparty Repo Trades

2.1. The Securities in the TPR GILT Account of the Member for determining borrowing limit shall be subjected to mark to market valuation during the day and at the end of each Business Day as described in sub-Regulation B (1) above.

2.2. In the event of mark to market value of the Securities along with cash Margin, if any, deposited for the purpose of al location of borrowing limit falling short of the Funds obligations for 2 nd leg consideration of Triparty Repo Trades, representing the borrowing of the Member or its Constituents or mark to market value of the Securities together with cash Margin, if any, deposited towards initial Margin falling short of the initial Margin liability of the Member or its Constituents at the end of the day, Clearing Corporation shall make a Margin call on such Members in respect of whom such shortage occurs.

2.3. The mark to market valuation done by Clearing Corporation at the end of each Business Day shall be valid till its next computation either intraday on next Business Day or at the end of the subsequent Business Day. However, Clearing Corporation shall value any Security deposited during day, immediately after deposit, and provide the Members benefit of increase in borrowing limit during the Business Day.

2.4. Clearing Corporation may set additional initial Margin for Triparty Repo Trades conducted by a Member or its Constituents at off market interest rates. Such Margin shall be payable by the borrower if the interest rate of borrow Trade is higher than the interest rate at which similar tenor is dealt in the market or by the lender if the interest rate of lend Trade is lower than the interest rate at which similar tenor is dealt in the market. Such margin shall be equal to the difference between the interest rate at which borrow/ lend trade is done and the interest rate dealt in the market for similar tenor. Clearing Corporation' s decision in regard to identification of Trades at off market prices shall be final and binding on all concerned parties.

3. Volatility Margin

3.1 Volatility Margin constitutes the Margin obligation required to be fulfilled by a Member or its Constituents as their contribution to MCC / TPR Collateral in relation

to a sudden increase in Volatility of interest rates/ bond prices and shall be applied, at the discretion of Clearing Corporation, on:

(i). Outstanding Trades; and/ or

(ii). Securities contribution to MCC;

(iii). Securities contribution to TPR Collateral towards Triparty Repo Trades.

3.2 Such Margin may be imposed by Clearing Corporation at any time during the day and as a result, the balance of the Members or their Constituents in their MCC/TPR Collateral Accounts may be reduced on re-computation and the initial Margin requirements in respect of their outstanding Trades may be increased.

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

3.4 Upon imposition of volatility Margin, if it is observed that the MCC/ TPR Collateral balance of a Member or any of its Constituents is inadequate to cover the Margin requirements on account of their outright, market Repo, GSL Transaction, Bond Forward Trades and/ or Triparty Repo Trades, it shall be the responsibility of the said Member to replenish the shortfall as directed by Clearing Corporation. In case the shortfall as stated above is not replenished by the Member by the stipulated time, Clearing Corporation, at its sole discretion, may stop accepting any further Trade of the Member and its Constituents.

3.5 In case of any sudden increase in volatility of interest rates/ bond prices during the day which Clearing Corporation, in its sole opinion, consider adequate to substantially erode the Margins collected from the Members on their own account and on account of their Constituents, the Clearing Corporation may revalue all their outstanding Trades and/ or MCC/TPR Collateral balances using the latest available prices. If such revaluation indicates inadequacy of Margin in the account of any Member beyond a level, as notified by the Clearing Corporation from time to time, the Clearing Corporation shall be entitled to impose additional MTM Margin equal to the shortfall. Such additional MTM Margin shall be in force till the application of end of the day to MTM Margin for the day in the account of the Members and their Constituents.

3.6 For the purpose of valuation of the outstanding Trade positions and MCC/TPR Collateral balances of the Members in terms of Regulation C-3(3.5), Clearing Corporation intra-day MTM prices will be used. Such intra-day MTM prices will be generated by following a process as notified by Clearing Corporation from time

to time.

4. In case of outright, market Repo, GSL Transactions and Bond Forward Trades the total Margin Obligation of a Member to the Clearing Corporation on account of its Proprietary Trades and the Trades of each of its Constituents shall be the sum total of its initial Margin, MTM Margin and the Volatility Margin obligations above;

Provided however, if in case of any of its Constituents the Margin allocated by the Member to a Constituent in terms of Regulation E of Chapter VI, exceeds the total Margin Obligation of such a Constituent, then the total Obligation of a Clearing Member to the Clearing Corporation on account of such a Constituent shall be deemed to be the Margin allocated by the Member for such Constituent.

D). VALUATION OF SECURITIES IN MCC/ TPR COLLATERAL

1. The valuation of Securities contributed by Members to MCC / TPR Collateral shall be carried out daily using the latest available Mark- to- Market price described in Regulation B (1) of this Chapter. Such valuation can even be carried out at such increased frequency as notified by Clearing Corporation.;

2. Clearing Corporation shall, in its discretion, specify haircuts on the respective market values as per rates prescribed for the eligible Securities from time to time.;

3. The contributions to MCC/TPR Collateral shall be subjected to a valuation exercise at every instance of Securities deposit and/ or withdrawal from its MCC/TPR Collateral at the end of the Business Day at the relevant Mark to Market prices.

E). REPO AND GSL TRANSACTIONS WITH SECURITIES VALUED AT OFF–MARKET PRICES

If any Member or any of its Constituents enters into a Repo Trade with another Member where the underlying Security has been valued at an off-market price attracting the provision of A-I (6) above relating to initial Margin and Clearing Corporation has accepted the Trade for guaranteed Settlement, it may, after due notification to such Member, hold back delivery of the underlying Security (if the Security has been undervalued) or that portion of the funds which represent the overvalued component (in case of overvaluation of the Security) till additional initial Margin as per provision of A-I (6), has been duly collected from such Member. Such Securities, if held back, shall be transferred in the interim to the SGL Account of Clearing Corporation.

CHAPTER IX: SUDDEN EVENT HANDLING

1. Due to the occurrence of any unforeseen event or circumstance beyond the control of Clearing Corporation, it may be required to abruptly suspend the Clearing and Settlement of Trades by declaring an Unscheduled Holiday.

2. An Unscheduled Holiday (USH) may be declared on the happening ofevents that lead to the total disruption of transactions coming to a halt, like due to general bandh / strike, disruption of public utility services due to heavy rains or any other factor beyond the control of Clearing Corporation which shall have impact on the overall system. It is expected that events occurred which affects one or few Members participating in Securities market would not adversely affect the Settlement process at Clearing Corporation.

3. In the above cases, the following procedure shall be adopted:

A. OUTRIGHT TRADES AND BOND FORWARD TRADES

(i). All outright (including when issued) and Bond Forward Trades due for Settlement on such days shall be rolled over to the next Business Day i.e. Modified Settlement Date (MSD) at the traded price of the Security/ yield of the Treasury Bill. In case of Trades in dated Securities, the coupon amount for USH and subsequent holiday(s), if any, shall be added by Clearing Corporation to the respective Trade considerations. In case of Trades in Treasury Bills, the price of the relative Treasury Bills shall be recomputed by Clearing Corporation on the MSD at the traded yield.

(ii). In case of outright Trade(s) including when issued and Bond Forward Trades involving a Security which has entered a Shut Period for coupon payment on the MSD, such Trade(s) shall be settled on the first Business Day after expiry of the relative Shut Period at the traded price only. However, if there is a gap of more than 1 day between the first Business Day after the Shut Period and the Shut Period due to intervening holiday(s), the coupon accruals f or such day(s) shall be added by Clearing Corporation to the respective Trade considerations. Trades entering into Shut Period for redemption shall be withdrawn from Settlement by Clearing Corporation.

B. REPO AND GSL TRANSACTIONS – 1st leg

(i). All overnight and term Repo Trades due for Settlement on USH shall be

withdrawn from Settlement by Clearing Corporation.

C. REPO AND GSL TRANSACTIONS – 2nd Leg

(i). In respect of 2nd leg Settlement Date due for Settlement on USH, the same shall be rolled over to the next Business Day. The additional Repo interest / GSL fee amount for USH, computed at the Repo Rate of the relative Trade, shall be added by Clearing Corporation to the respective Trade considerations and the second leg price shall be recomputed by Clearing Corporation;

(ii). If the second leg Settlement Date gets rolled over further due to holiday(s) / Shut Period for coupon payment, Repo interest / GSL fee for such extended period calculated at the relative Repo Rate net of the coupon amount received by the lender of money, if any, shall be adjusted to the respective Trade consideration of the Member and the second leg price shall be recomputed by Clearing Corporation.

(iii). In the process of shifting second leg Settlement Dates to next Business Day as (ii) above, if such revised Settlement Date coincides with / falls after the Shut Period for redemption of the relative Security, such Trade(s) shall be allocated at par to the respective counterparty. Additional Repo interest / GSL fee for such extended days calculated at the Repo Rate of the relative Trade and redemption proceeds including coupon amount received by the lender of money shall be adjusted to the respective Trade consideration of the Member.

D. TRIPARTY REPO TRADES – 1st leg

All overnight and term Triparty Repo Trades due for Settlement on USH shall be cancelled by Clearing Corporation.

E. TRIPARTY REPO TRADES – 2nd leg

i. The obligation for funds in respect of repayment of borrowings under Triparty Repos falling due on such unscheduled holiday shall be combined with the transactions due for Settlement on the next Business Day and the Funds Obligation in respect of the said Members shall be arrived at accordingly.

ii. Any interest accruals on account of such delayed Settlement shall be

recovered by Clearing Corporation from the borrower of Funds and the same shall be payable to the lender of Funds at the rate notified by Clearing Corporation.

iii. Clearing Corporation may adjust such interest accruals together with repayment Obligations due on unscheduled holiday to next Business Day's obligation of the Member.

4. Difference in considerations adjusted by Clearing Corporation due to shifting of Settlement Dates as mentioned in A to E above shall be the part of the respective Member's net Obligations to be settled at RBI/ Settlement Bank.

5. In the event of Settlement Dates of the outstanding Trades are altered on a declaration of anunscheduled holiday, the impact thereof on the Margin requirements of the Members shall be accounted for only at the time of end of the day Margin re-computation.

6. Clearing Corporation shall not be held liable in the event of Force Majeure that prevents Clearing Corporation from carrying out its duties.

CHAPTER X: REPORTS

1. Clearing Corporation shall, at its discretion, decide the mode and manner of delivery/ receipt of reports to/ from its Members.
2. Clearing Corporation shall have the discretion to make changes in the report formats as and when it may consider necessary from time to time.

CHAPTER XI: ACTIVITY TIME SCHEDULES

1. Clearing Corporation shall from time to time notify Cut-Off timings for normal acceptance of Trades from Members for Clearing and Settlement.

2. Clearing Corporation shall be authorised to make changes to the Cut-Off timings, as considered necessary from time to time, depending upon changes in market practices and/ or requirements of RBI and/ or other regulatory bodies/ agencies;

CHAPTER XII: NOTICES

1. Clearing Corporation shall specify formats for receiving notices from Members to facilitate its operations.

2. Clearing Corporation shall have the authority to make changes in the formats as it may consider necessary from time to time. Changes if any shall be notified to Members prior to being brought into operation.

3. Clearing Corporation shall, in its discretion, decide the mode and manner of delivery/ receipt of notice to/ from its Members.

CHAPTER XIII: MISCELLANEOUS

I. LIMITATION OF LIABILITY OF CLEARING CORPORATION

1. 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 and/ or responsible for the underlying transactions of the relative Trades.

2. The only obligation of Clearing Corporation shall be to facilitate Clearing, Settlement, delivery and payment in respect of securities and/ or Funds between Members in consideration of the Members fulfilling all the requirements of these Bye -Laws, Rules and Regulations and such 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 not being facilitated for reasons beyond the scope and control of Clearing Corporation.

3. Clearing Corporation shall not be made a party for any dispute between Member and its Trading Entity(s) / Constituent(s).

II. SUSPENSION RIGHTS OF CLEARING CORPORATION

1. Clearing Corporation may suspend its Member(s) as specified in the Regulations.

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 hoursafter such disablement, the Managing Director 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. Without prejudice to the generality of the foregoing, Clearing Corporation shall communicate the information to other Members if such disablement is on account of default.

III. REGULATORY LIMITS

It shall be sole responsibility of the Members to adhere to sell and / or purchase limits as well as borrowing and/ or lending limits, if any, stipulated by any law and / or by their respective regulator/s for itself and its Constituent(s). Clearing Corporation shall not be responsible in any manner for the breach of such regulatory limits by the Member and its Constituent (s).

CHAPTER XIV: FEES AND CHARGES

A). SCHEDULE OF FEES AND CHARGES

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

B). BILLS FOR FEES AND CHARGES

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

C). RECOVERY OF CHARGES

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

CHAPTER XV: SETTLEMENT BANK

1. Clearing Corporation facilitates Clearing and Settlement of Government Securities outright, Bond Forward and repo transactions including Triparty Repo transactions of its Members maintaining their SGL / CSGL Account with Reserve Bank of India (RBI) and / or TPR GILT Account with Clearing Corporation;;

2. Clearing Corporation may at its discretion appoint one or more banks as Designated Settlement Bank (DSB), under adviceto Reserve Bank of India, for Settlement of Funds in respect of Members not maintaining their Current Account at RBI for the purpose of Funds Settlement.

3. The Members shall maintain a Current account with RBI/ any of the DSB for the Settlement of funds obligations in Government Securities transactions under these Regulations.

4. Such Member, at the time of seeking Membership of Securities Segment shall communicate to the Clearing Corporation regarding details of its Settlement Bank for the purpose of availing the Funds Settlement facility.

5. Clearing Corporation shall notify the Members the Settlement process, time frame for carrying out instructions and other operations that the Bank's DSB shall be required to follow for Funds Settlement of Government Securities transactions in an orderly manner of its Members.

6. The Clearing Corporation will have the right to seek information/ explanations/ clarifications on the Settlement operations of the DSB in such manner and periodicity as it may deem fit and may issue guidelines, directions and orders in respect thereof and the DSB shall comply with the same.

7. The DSB undertakes to keep strictly confidential any and every technical and business information including, but not limited to that which may be disclosed or confided to it by the Clearing Corporation or which it may obtain from the Clearing Corporation and which it shall, by not disclose to any third party.

Provided, however, the DSB shall disclose any of such information upon the Clearing Corporation's consent to regulatory or other Statutory authorities, if the authorities so require.

8. The DSB shall be duly authorized by Clearing Corporation to ensure Funds Settlement, collection of margin money, charges, levies, additional charges, servicing of corporate

action like payment of interest etc., and any other Funds movement between the Member and Clearing Corporation as prescribed b y Clearing Corporation.

9. Settlement Bankshall take instruction from Clearing Corporation and act in accordance with instructions received from Clearing Corporation in regard to Funds Settlement and debit/ credit the Settlement Account of the Members and transmit confirmation to Clearing corporation.

10. Instructions of Clearing Corporation for debits and credits to the Member' s Settlement Current Accounts by the Settlement Bank shall be irrevocable and final.

11. The Member shall authorize Settlement Bank to access its Current Account for debiting and crediting its Settlement accounts in accordance with instructions received from Clearing Corporation.

12. DSBs shall extend to Clearing Corporation the facility of on-line monitoring of the transactions in the Settlement Account of Clearing Corporation.

13. DSBs shall enable Clearing Corporation to view the balances and/ or transaction details in the Settlement accounts of the Members maintained with the DSBs on an on-line basis. DSBs shall also allows imilar access to the authorized representatives of the Members.

14. DSBs shall ensure that Funds earmarked for Clearing Corporation Settlement are not encumbered, utilized or transferred before completion of settlement cycle as set out by Clearing Corporation.

15. DSB shall, upon receipt of instructions from Clearing Corporation to that effect, transfer Funds from Settlement account of Members to Settlement account maintained by Clearing Corporation with the Settlement Bank for pay- in instructions and vice versa for pay-out instructions. Similarly, DSB shall enable Clearing Corporation to transfer balances from such accounts of the Members to Clearing Corporation' s Settlement account with them or vice versa as part of its Settlement or Default handling process.

16. DSBsDSB shall maintain record of the date and time stamp of all the payments and receipts executed by it in the Settlement account of Clearing Corporation and the Settlement Accounts of the Members. Members will have the responsibility to monitor transactions in their accounts and to take up with their Settlement Bank any instances of unusual delay in effecting pay-ins and pay-outs. The transaction details along with time stamp must be submitted by the Bank as and when requested by the Regulator or Clearing Corporation. The Settlement Bank shall preserve such details for a period

prescribed under the applicable laws or such other rules made thereunder.

17. In the process of Funds Settlement at the DSB, if there is any Funds shortage arising out of Settlement instructions received from Clearing Corporation, the DSB shall advise the same to Clearing Corporation and act in accordance with the instructions given by Clearing Corporation to meet such shortages.

18. The DSB shall meet the shortage by utilizing the balance available in Clearing Corporation' s Proprietary account and/ or the Line of Credit extended by it to Clearing Corporation. Accordingly, DSB would transmit confirmation advices to Clearing Corporation.

19. The Clearing Corporation may net DSB's own Funds Obligations with the net Funds Obligations of all its Members. If such netting results in funds pay- in, it shall be the responsibility of DSB to make available such netted amount at its Current Account with RBI to enable RBI to process Funds Settlement as per Clearing Corporation's instructions. If such netting results in pay-out of funds, DSB will receive such amount at its Current Account with RBI & it will be DSB's responsibility to make available such funds with Clearing Corporation' s Settlement Account maintained with it to effect funds pay-out to Members as per Clearing Corporation's instructions.

20. While processing Clearing Corporation Funds file at its Current Account with RBI, Funds shortage, if any, in DSB's Current Account maintained with RBI, shall be treated as Funds shortage on account of DSB and Clearing Corporation will initiate action as per Chapter VII "Settlement Shortage / Default" of this Regulations"; This shall be irrespective of failure to transfer, Funds as mentioned in Regulation 19 of this chapter above or otherwise.

21. Clearing Corporation may transfer the credit balances from its Settlement Account with the DSB to its current account/ RTGS Settlement with RBI under instruction to the DSB.

22. DSB shall immediately inform Clearing Corporation about action, if any, initiated by any of the authorities, or any irregularity observed in the Members Current/Settlement account or any deviation from Know Your Customer (KYC) norm.

23. Information relating to any change of the DSB by the Member shall be advised at least 15 days in advance by the Member along with the no objection letter f rom the existing DSB and the concurrence from the new DSB to Clearing Corporation.

24. DSB shall put in place adequate controls and risk management systems to facilitate smooth and effective Settlement of Fund Obligations.

25. In respect of Settlement related transactions of the Members including transactions relating to Close-Out of Trades or positions of such Members which are routed through their DSB, Members will be discharged of their liabilities in respect of their funds pay-in obligations only after the monies paid by them has (/ve) been transferred by the concerned DSB to the Clearing Corporation's respective Settlement account(s) and/ or Current Account with Reserve Bank of India. Members shall however get valid discharge if such fFunds are appropriated by the DSB to effect pay-out to other Members of Clearing Corporation as part of Settlement process in terms of instructions given by Clearing Corporation.

26. In respect of Funds pay-outs to the Members by Clearing Corporation, Clearing Corporation shall have valid discharge, after it has transferred Funds to the accounts of DSB, either from its Settlement Account at RBI or from any other DSB and issued instructions to the DSB to transfer such Funds to the accounts of the concerned Members.

CHAPTER XVI: DEFAULT FUND

A. PURPOSE

i. Clearing Corporation shall maintain two separate Default Funds in respect of its Securities Segment, one (hereinafter referred to as "SEC -DF") with a view to meeting losses arising out of any Default by its Members from outright, repo and Bond Forward Trades, and the other (hereinafter referred to as "TPR - DF") for meeting losses arising out of any Default by its Members from Triparty Repo Trades, as set out in this Chapter. All subsequent provisions of this Chapter shall apply to both the aforementioned Default Funds.

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

B. CORPUS

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

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

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

C. CONTRIBUTIONS

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

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

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

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

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

D. COMPOSITION

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

ii. 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 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 lakh or such other amount as may be prescribed by Clearing Corporation.;

E. ADMINISTRATION

i. Clearing Corporation shall administer investment and utilization of cash margins deposited by Members as per Regulation "F" of this chapter;

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

iii. The contributions made by Members to Default Fund in the form of Securities shall be held in a CSGL Account of Clearing Corporation with RBI. The RBI rules and

regulations governing CSGL Accounts and such other instructions as are issued by RBI in this regard shall be applicable to this account and 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 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 of such Member in the Securities Segment if deficit is in SEC - DF. No interest shall however be paid for such cash utilization towards Default Fund.
- in the TPR Collateral of such Member in Securities Segment if the deficit is in the TPR - DF. No interest shall however be paid for such cash utilizationt owards Default Fund.

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

F. RECEIPTS AND DELIVERIES OF 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 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 RBI that the Securities have been credited into the CSGL account of Clearing Corporation. Members shall deposit only such securities to Default Fund which are free from any encumbrances.

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

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

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

ix. Members shall be entitled to substitute Securities deposited as contribution to D efault Fund by giving prior notice as notified by Clearing Corporation f rom 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.

x. 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.

xi. 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 E of 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 hair cut rates may be temporarily increased on imposition of volatility Margin.

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

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

I. UTILISATION

i. Where a Member is declared as defaulter in terms of Regulation B of Chapter VII relating to "Settlement Shortage & Defaults", Clearing Corporation may sell or dispose off, in any manner it may deem fit, the Securities and / or Funds withheld from the Defaulter adequate to cover the Default Obligation and apply the proceeds for discharge of the Defaulter's Obligation. Any further losses, as a result of such Default, shall be met by Clearing Corporation by recourse to Funds and/ or Securities in the following order:

a. first, by appropriation of the Margin contribution of the defaulting Member including any surplus Margin to MCC. However, the Margin contribution by such defaulter Clearing Member for its individual / group of Constituents, which is not utilized towards respective individual/ group of Constituents' Margin requirement shall be dealt with in accordance with the instructions of such Constituents.

b. next, by applying set-off from defaulter's own contribution to Default Fund. Any

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

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

d. next, by allocation of the residual loss to the Default Fund accounts of non-defaulting Members in proportion to their required contributions to the 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 Default Fund in terms of Regulation B of this Chapter.

f. and then by allocation of the residual loss to Default Fund account of non-defaulting Members after replenishment of the balances in these accounts in 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 Regulation I (i) (d) 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 process duly notified in this regard, treat the Collateral available in Members' SEC - DF or/ and TPR- DF account(s) in excess of its required contributions, as the Collateral deemed to be made available by such Member towards meeting a deficit in the balance in any other Default Fund account. Such amount would continue to remain blocked towards the said Default Fund account till the Member has replenished the shortfall in the other Default Fund accounts with Clearing Corporation.

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

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

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

J. REPLENISHMENT

i. Members shall be required to contribute to the Default Fund such sums as notified by Clearing Corporation on every revaluation 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)) 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 Regulation J (ii) above of this Chapter, Clearing Corporation shall treat such failure as default in terms of Chapter VII of these Regulations and the Member shall be liable for the consequential action thereon as specified in Chapter VII of these Regulations.

v. The maximum contribution of a Member towards replenishment of its contribution to Default Fund for the Securities Segment in the 7 days' period immediately after the loss threshold as referred in Regulation E (1 (A)) of Chapter II of this Regulation having been reached, and the Member having resigned, shall not exceed 5 times of its contribution to Default Fund based on last re-computation of Default Fund contribution of the Members carried out as per the process described in Regulation B (ii) above of this Chapter, subject to a monetary ceiling notified by Clearing Corporation. A Member shall not be obligated to contribute any amount in excess of the monetary ceiling during the aforementioned period of 7 days.

vi. The amounts mentioned in Regulation (v) above as maximum contribution for a Member and the threshold as referred in Regulation E (1 (A)) of Chapter II shall be reviewed periodically by the Clearing Corporation based on market s ize, 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 Clearing Corporation in the reverse order of utilization of its resources as described in Regulation I (i) 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 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 Bye-Laws, Rules, and Regulations of such segments of Clearing Corporation in which the Member has been admitted.

CHAPTER XVII: SETTLEMENT OF DEMAT TRADES

1. Clearing Corporation may also settle Demat Trades received from its Clearing Members for their Constituents with due notification. The Trades may be received from the Trading Entity of the Clearing Member also. Such Trades may be settled through the CSGL Account of the Depository.
2. Clearing Corporation shall have no relationship with the Demat Account holders of the Clearing Member and also of the Trading Entity. However, the details of the Demat Account holders of the Clearing Member and of the Trading Entities shall be captured through the Clearing Members by Clearing Corporation.
3. The Constituent ID shall be allotted to each Constituent (Demat Account holder) of the Clearing Member for the purpose of Settlement of Demat Trades.
4. Clearing Members shall ensure that request for Constituent ID is submitted to Clearing Corporation with details as prescribed. Clearing Member shall submit Demat Trades only after allotment of Constituent ID by Clearing Corporation.
5. The Settlement process flow shall be as notified by Clearing Corporation from time to time.
6. Clearing Members shall ensure delivery of Security in respect of sale in Demat of each Demat Account holder.
7. Clearing Members shall be responsible for Settlement of both Securities and Funds obligations in respect of Demat Trades.
8. The Security shortage, if any, shall be processed by Clearing Corporation in terms of the Chapter VII "Settlement Shortage and Defaults" of these Regulations.
9. Clearing Members shall also be responsible for Margin contribution, for all Demat Trades.
10. Clearing Members shall be responsible for replenishment of shortage in Demat Trades settled by them and also all charges incidental to such shortage which are either handled or allocated by Clearing Corporation as per the provisions of its Bye-Laws, Rules and Regulations.
11. Clearing Members shall credit the Demat Account holder, the Security balances in respect of their purchases, immediately on receipt of credit from the Depository in its Demat Pool Account.
12. Clearing Corporation shall provide reports, giving details of Trades received from the respective Members for Settlement in demat, the net deliverable/ receivable obligations

for Constituent and net deliverable / receivable obligations for all Constituents with a depository.

13. Clearing Members shall be responsible for providing all requisite details to their Constituents and to Trading Entities in respect of Trades done by Trading Entities for their Constituents.
14. Clearing Members of Clearing Corporation shall be responsible to adhere to all provisions of the respective Regulators and provisions applicable under any other laws, rules or regulations including but not limited to compliance, reporting and other aspects, in respect of Demat Trades received from Members and settled by Clearing Corporation.
15. **Suspension of Services**

    In case of any Force Majeure event, Clearing Corporation reserves the right to suspend the Settlement of Demat Trades without notice. Clearing Corporation may also suspend services with prior notice to Members due to any other unavoidable circumstances including but not limited to termination or suspension of arrangement with depository.
16. Clearing Corporation shall have no liability whatsoever for any damage, liabilities, losses (including any loss of data or profits) or/ and any other consequences that may be a result of or arising out of the relationship between the Clearing Members and Depository or the Clearing Members and their Constituents. The Clearing Member shall be solely responsible for their compliances arising out of all applicable laws relating to demat transactions including but not limited to directions under the Payment and Settlement Systems Act, 2007 and Regulations thereunder.

CHAPTER XVIII: SETTLEMENT OF RBI RETAIL DIRECT TRADES

[The contents of this Chapter will be applicable to the Constituents admitted under the Retail Direct Scheme of the Reserve Bank of India, as amended from time to time. No provisions of the Bye-Laws, Rules and other Chapters of the Securities Segment Regulations, will be applicable to the Constituents of the Retail Direct Scheme, unless specifically mentioned in this Chapter.]

A. Definitions

1. 'Approving Authority' means the Managing Director of Clearing Corporation.
2. 'Board' means the Board of Directors of Clearing Corporation
3. 'Clearing Corporation' means The Clearing Corporation of India Ltd.
4. 'Chapter' means this Chapter XVIII: SETTLEMENT OF RBI RETAIL DIRECT TRADES under the Securities Segment Regulations of the Clearing Corporation.
5. 'Constituent' for the purpose of this Chapter shall mean the "Retail Investor" as specified under the Scheme, who is not a Member of Clearing Corporation but settles Trades through a Member.
6. 'Gilt Account' means an account for holding 'Government Securities' of the Constituent.
7. 'Member' for the purpose of this Chapter means RBI under the Retail Direct Scheme.
8. 'Payment Gateway' means the third-party service arrangement which facilitates a Constituent to remit funds to Clearing Corporation.
9. 'RBI' means the Reserve Bank of India.
10. 'Scheme' means the Retail Direct Scheme of RBI, as amended from time to time.
11. 'UPI' means Unified Payments Interface.

Wherever any term used in this Chapter and not defined under the above definition part will have the meaning assigned to it under regulations or circulars, directions issued by RBI under Retail Direct Scheme or Payment and Settlement Systems Act 2007.

B. Scope and Applicability

1. Clearing Corporation will extend the facility of Clearing and Settlement services to retail investors as mentioned in the Retail Direct Scheme of RBI.

2. For the purpose of this Chapter, the Member will be recognized as counterparty for the

limited purpose of acting on behalf of the Constituent under the Retail Direct Scheme.

3. While Clearing Corporation will act as a 'central counterparty' for all the transactions under the Retail Direct Scheme between the counterparties, it will also act on behalf of the Member, as may be authorized by the RBI to carry out all such functions under the Retail Direct Scheme.

C. Management of Operations

1. In order to implement the facility, the Board may make any rules or changes as may be required for the management of operations and/or function in connection with or related to the clearing and Settlement arising from the Retail Direct Scheme.
2. The Board of Directors, if required, may appoint one or more Committee(s) or vest with the Managing Director, such powers for administration and / or management of any aspect of the Clearing Corporation's business operations and delegate to the Committee or MD such powers and responsibilities as may be decided by the Board.
3. The Board of Directors, may for smooth functioning of the operations of the Retail Direct Scheme, make such changes in process or procedures or to the rules of this chapter.

D. Membership

1. Any eligible individual, on admission under the RBI Retail Direct Scheme will be admitted as a Constituent.
2. A Constituent is required to adhere to the annual review and/ or periodic KYC process as may be required b y the Member from time to time.
3. A Constituent will be given a Constituent ID upon successful completion of all registration formalities. On getting the Constituent ID, the Retail Investor will become eligible to the services of Clearing and Settlement of the transactions under the Retail Direct Scheme. Mere submission of an application, online or physical, by itself will not entitle a person to be admitted to the Retail Direct Scheme or as a Constituent of the Member.
4. A Retail Investor who has been admitted as a Constituent is required, at all times, to retain the details of GILT Account opened at the time of registration.
5. Every Constituent is required to submit accurate information of mobile number, e-mail ID and bank account and such other details required for the purpose of registration on the Retail Direct Portal. All refunds, payments etc. receivable by the Constituent, will be credited to the bank account so provided by the Constituent.
6. Any change in the details provided as mentioned in the sub-Regulation D. 4 should be

updated by the Constituent on the Retail Direct Portal immediately.

7. Constituent should quote its Constituent ID and Gilt Account number in all the communication sent to the Clearing Corporation.
8. It is clarified that Clearing Corporation disclaims any liability arising out of inadequate or incorrect information of the bank account details or delay in communication of the change in bank account details.
9. The charges, if any, levied by the bank/ Payment Gateway for transfer of funds remitted by the Constituent to the Clearing Corporation will have to be borne by the Constituent.

E. Clearing and Settlement

1. All the Settlements under this Chapter will be carried out on T+ 1 basis or such other basis as may be advised by RBI from time to time.
2. The Settlement will be carried out in the manner stated below:
   2.1 The Settlement of all Retail trades under the Retail Direct Scheme, will be carried out through the GILT Account of the Constituents to be opened and maintained in the CSGL account of RBI at PDO-RBI.
   2.2 Clearing Corporation will net all buy and sell positions of the Constituents for each security for a Settlement Date.
   2.3 Clearing Corporation will communicate to the Constituent at the end of Trading Sessions the particulars of:
      a. all transactions of the Constituent.
      b. netted position of the Constituent.
   2.4 The GILT Account of the Constituent will contain the particulars of the netted balances of transactions undertaken by the Constituent.
   2.5 A Constituent is required to maintain clear balance of 'securities' in its GILT Account before undertaking any security 'sell' trade. Similarly, Constituent shall remit adequate funds before undertaking any security 'buy' trade under the RBI Retail Direct Scheme.

3. Conditions and Procedure for undertaking the Settlement transactions

3.1 Where the Constituent buys the securities:

3.1.1 Before initiating a buy trade on NDS-OM, Constituent is required to remit the adequate funds in the Current Account of the Clearing Corporation. The Securities bought by a Constituent will be credited to the Constituent' s GILT Account on the

Settlement Date and only after actual receipt of funds by Clearing Corporation.

3.1.2 The excess funds remitted by Constituents over and above their trade consideration, will be returned to the Constituents before the end of the day on the Settlement Date.

3.1.3 A Constituent is permitted to place order(s) based on the remittance made either through UPI or net banking and on receipt of the successful remittance message by Clearing Corporation.

3.1.4 In case of buy transactions of securities, the Clearing Corporation will credit the Gilt Account of the Constituent only at the end of the Settlement day after completion of all Settlement transactions and after receipt of funds.

3.1.5 Non-receipt of funds whether in full or in part to meet the deliverable obligation by Clearing Corporation till Settlement completion on a Settlement day shall be treated as a funds shortage of the concerned Constituent.

3.1.6 The security(ies) will be credited to Constituent' s RDG a ccount only after the receipt of funds from Payment Gateway/ bank on account of the RDG Account holder.

3.1.7 In case of a Securities shortage allocation to the Constituent, the same shall be compensated in cash.

3.2 **Where the Constituent sells the securities:**

3.2.1 A Constituent will be permitted to sell unencumbered Security only if that Security is available in the GILT Account.

3.2.2 The Face Value of the securities identified for sale will be immediately blocked to the Constituent' s GILT Account on the trade date itself.

3.2.3 Upon initiating a sale transaction on the NDS-OM, a Constituent cannot create any pledge/ gift/ lien or any third party interest in respect of the security which is being sold. However, if the sale transaction is not successful on the system, the Constituent is free to transfer by gift, create pledge or lien on that security.

3.2.4 A Constituent cannot undertake any sale transaction of a security on the NDS-OM systems, if any pledge or lien is created on that Security or the Security is already marked as transaction of gift in the system.

3.2.5 The sale proceeds of the securities sale transaction (i.e. funds) of the Constituent will be credited to the bank account of the Constituent at the end of the day, on the Settlement Date after completion of all Settlements and only after the

receipt of securities.

3.3 Clearing Corporation will generate and provide to each Constituent the Securities and funds obligation reports.

3.4 The Securities obligation reports will contain particulars of all transactions of the Constituent and the position of Securities Receivable or Securities Payable for a Settlement Date.

3.5 The Funds Obligation report will contain particulars of net funds payable or receivable by a Constituent for its trades received by the Clearing Corporation for Settlement.

3.6 Clearing Corporation will credit the interest (coupon) and / or redemption proceeds to the Constituent's bank account registered on the Retail Direct Portal, on the same day.

3.7 Where necessary, Clearing Corporation will notify other details of the settlement process in addition to the above.

F. Authority for Debit and Credit Mandate

Constituent, is considered to have authorized the Clearing Corporation under this Regulation of this Chapter, to debit or credit its Gilt Account opened under the CSGL Account in order to carry out the sale and purchase transactions of the Government Securities. Similarly, a Constituent is considered to have authorised the Clearing Corporation under this Regulation of the Chapter, to credit the funds in the Constituent's registered bank account for the purpose of carrying out the sale of Government Securities transaction. In case of any change in bank account, this mandate is considered to be extended to such changed bank account as well.

G. Central Counterparty

1. All the buy and sell transactions of Government Securities will be entered into by the Member on behalf of Constituent with another counterparty on an anonymous basis on the NDS-OM platform.
2. All transactions under the Scheme will be executed through the Clearing Corporation, acting as a central counterparty.
3. The central counterparty will interpose itself between two counterparties in the anonymous trading and Settlement system and act as buyer to seller and seller to buyer only for the limited purpose of completion of Settlement transactions.
4. All the trades made by a Constituent for the day on the NDS-OM platform with other counterparties, that means to say, another Constituent or a non-retail counterparty of

Clearing Corporation, will be netted and a net payable or net receivable position for the Constituent will be arrived at. Such net payable position will constitute as amount due from the Member on behalf of the Constituent to the Clearing Corporation and net receivable position will constitute as amount due from the Clearing Corporation to the Member on behalf of the Constituent. For the purpose of this Chapter, the Member will be recognized as a counterparty for the limited purpose of acting on behalf of the Constituent under the Retail Direct Scheme.

5. While Clearing Corporation will act as a central counterparty for all the transactions of Retail Direct Scheme between the counterparties, it will also act on behalf of the Member as authorized by RBI to carry out all such functions under the Retail Direct Scheme.

H. Admission or Rejection of Trades

1. Clearing Corporation may, approve, defer, or reject such Trades for Clearing and Settlement subject to such terms as it may deem fit.
2. Regardless of the above, Clearing Corporation shall not be responsible for the title, ownership of the securities delivered or received and genuineness, regularity and validity of transactions/trades or the loss and damages arising theref rom. Any questions in respect of the title, ownership, genuineness, regularity and validity if and when arising, shall be dealt with in accordance with the provisions of this Chapter.
3. An Unscheduled Holiday (USH) may be declared on the happening of events that lead to the total disruption of transactions coming to a halt, such as strike, disruption of public utility services due to heavy rains or any other factor beyond the control of Clearing Corporation. In such cases, all trades due for Settlement on such days shall be rolled over to the next business day i.e. Modified Settlement Date (MSD) at the traded price of the security/yield of the Treasury Bill. In case of trades in dated Securities, the coupon amount for USH and subsequent holiday(s), if any, will be added by Clearing Corporation to the respective trade considerations. In case of Trades in Treasury Bills, the price of the relative Treasury Bills will be recomputed by Clearing Corporation on the MSD at the traded yield. Constituent will pay such difference between the trade consideration to Clearing Corporation on MSD itself.

I. Notification, Notice or Communication

The words " Notification", " Notice" or " Communication" refer to any intimation that may be served on a Constituent at his/ her address and/ or his/ her last known address in any one

or more or all of the following ways:

a. delivery by post
b. sent by registered post
c. sending it under certificate of posting
d. sent by express delivery/ courier services
e. affixing it on the door at the last known address
f. oral communication
g. advertising it at least once in any prominent daily newspaper.
h. sending a message through the RBI Retail Direct portal
i. The notification on Clearing Corporation website/ RBI Retail Direct website.
j. by SMS, electronic mail or fax or any other electronic network.
k. any other accepted mode of communication.

Any communication s ent by Clearing Corporation to the Constituents is presumed to have been properly delivered or served, if the same is sent to the ordinary address and/ or ordinary place of residence and/or last known address of the party in any one or more of the ways mentioned above.

J. Reports

1. Clearing Corporation will provide Interim/ Final reports, giving details of t he transaction to the Constituent on the RBI Retail Direct Portal and/ or SMS/ Email ID.
2. Clearing Corporation will not be liable for any delay or non-delivery of SMS or emails or due to the non-availability of the Retail Direct Portal, arising from or relating to any factor not in the control of the Clearing Corporation.

K. Clearing Hours

The hours for working in Clearing and Settlement of different segments of Clearing Corporation will be notified by Clearing Corporation from time to time.

L. Business Hours

1. The business hours for transactions in various segments will be applicable as decided by RBI.
2. Clearing Corporation would normally function on all the days, excluding Sundays and such other days declared as holidays under the Negotiable Instruments Act, 1881 or where transactions/Settlement may not take place as declared by RBI or such other authority.

M. Record For Evidence

1. The record of Clearing Corporation in any form electronic or otherwise, including record of telephonic conversations duly authenticated by an authorized official of the IT department of the Clearing Corporation will be conclusive evidence in relation to any trades cleared and settled through Clearing Corporation.
2. For the purposes of any disputes regarding Clearing and Settlement of trades such records as maintained by Clearing Corporation will be conclusive evidence in any dispute or claim between or amongst the Members inter-se or between Constituent, Member and Clearing Corporation.

N. Members Only Parties to Trades

1. Every Constituent through the Member shall be directly and wholly liable to Clearing Corporation, unless it is expressly specified otherwise by Clearing Corporation in all transactions executed. The Clearing Corporation will not recognize any other party other than the Member except as stated herein.

O. Inviolability of Admitted Trades

1. Trades cleared and settled by the Clearing Corporation in accordance with this Chapter shall be final and irrevocable.
2. Regardless of the above, Clearing Corporation may on application by any affected Member/ Constituent in that behalf decline to clear or settle any trade, if Clearing Corporation is satisfied after hearing the parties to the trade(s) that the trade(s) is/are fit for rejection on account of fraud or market manipulations or price manipulations in the trade or in relation to any instruments. However, in any event where the deals have been novated as mentioned in this Chapter, such deals will be irrevocable for the purpose of effecting Settlement. This will become effective without prejudice to other actions under this Chapter or any other law.

P. Finality of Settlement

A Settlement effected in accordance with this Chapter shall be final and irrevocable.

Q. Grievance Redressal

Any query or grievances related to 'Retail Direct' Scheme can be raised on the portal which will be handled/ resolved by Public Debt Office (PDO), RBI, Mumbai or RBI's agents (in

this case the Clearing Corporation).

R. Directions of RBI, Variations and Jurisdiction

1. Regardless of what is stated in this Chapter, any direction or circular or rule or guideline issued by the RBI under the Payment and Settlement Systems Act, 2007 or Payment and Settlement Systems Regulations, 2008 are to be considered and read as part of this Chapter. In case of any inconsistency between the provisions of this Chapter and the direction or circular or rule or guideline of RBI, the latter shall prevail.
2. The Regulations under this Chapter will be part of the Securities Segment Regulations read with the Bye-Laws and Rules of the Clearing Corporation. Accordingly, any change made to this Chapter will be read and interpreted in accordance with the Payment and Settlement Systems Act, 2007 and regulations thereunder and the laws of India.
3. All parties to a reference under this Chapter shall be deemed to have submitted to the exclusive jurisdiction of the courts in Mumbai for the purpose of giving effect to the provisions of this Chapter and the Payment and Settlement Systems Act, 2007.

S. Bankruptcy of Clearing Corporation

1. Where, by an order of a Court, Tribunal or authority:
   1.1 Clearing Corporation is declared as insolvent or is dissolved or wound up; or
   1.2 A liquidator or receiver or assignee (by whatever name called) whether provisional or otherwise, is appointed in a proceeding relating to insolvency or dissolution or winding of Clearing Corporation, all the outstanding trades with Clearing Corporation shall stand terminated forthwith and any receivables/ credit to the Member shall be returned in the manner set out in Section 23 of the Payment and Settlement Systems Act, 2007.

T. General Provisions

1. Except specifically mentioned in this Chapter, Clearing Corporation will not be liable for all its bonafide acts, and accordingly no claim can be preferred against it for such acts. Furthermore, no action shall lie against Clearing Corporation, its directors, employees, its officers or any of its authorized person(s) for all their acts in good faith on behalf of Clearing Corporation.
2. Clearing Corporation shall have the full discretion to part with/disclose or disseminate such information concerning the Constituents' trade settled and cleared through Clearing

Corporation as deemed necessary to Regulator, Governmental, judicial authorities under any law or any investigative or other agencies.

3. Clearing Corporation will provide only the aggregated market information and/or trade by trade information regarding volumes, last traded price/rate and other information related to a trade etc., on trade concluded or reported by Constituents, to press, media, information vendors or any other person for consideration or otherwise. In any case, such data will not contain identity of counterparties.
4. Clearing Corporation shall not be held responsible or liable for any consequences arising out of failure of computer systems, telecommunication network and other equipment installed at the Constituent's premises. Clearing Corporation shall also not be liable for failure or breakdown of its systems or power outage or any hacking etc., resulting in non-availability of the systems for trading and Settlements. It shall also not be responsible for any force majeure event such as Act of God, civil commotion, strikes, riots or any other factor beyond its control resulting in non- availability of its systems for clearing and Settlements. Nonetheless, Clearing Corporation shall take all such reasonable steps as are required to restore the Constituents through the Member to their restitutionary rights.
5. The Constituents shall maintain all necessary infrastructure so as to connect to the Retail Direct Portal and shall solely be responsible for the same.
6. No failure or delay on the part of Clearing Corporation in the exercise of any power, right or privilege here under shall operate as a waiver thereof, nor shall any failure or delay in exercise of such power, right or privilege preclude Clearing Corporation from further exercise thereof.
7. Clearing Corporation shall not be liable for any unauthorized deals on the Retail Direct portal by any person acting in the name of the Constituent.

   Clearing Corporation may, at its discretion for the reasons to be recorded in writing (in electronic or physical form), approve, defer, or reject deals received by it for matching, Clearing and Settlement for not conforming to any of the provisions specified in this Chapter.
8. The provisions of this Chapter, in so far as they relate to dealing operations shall be applicable and continue to bind and govern the Constituents through the Member, as if the provisions of this chapter are enacted as part of the trading part of this Chapter.
9. **Right to collect information.**

   Clearing Corporation may as and when required seek information from the Constituents through the Member in respect of their financial position, state of business, regulatory

action, etc.

10. **Right to impose conditions, reduce limits.**

    If any activity of the Constituent is observed to be contrary to the interest of the market or the payment system itself, Clearing Corporation may, at its discretion, impose such condition as may be necessary to ensure the safety of the system including imposition of lower limits or reduction of the existing limits.

11. Clearing Corporation will have the right to terminate the Constituent if such Constituent is adjudged to be insolvent, lunatic, declared as offender by a Court of Law or authority or disqualified by any regulator or authority from dealing in these markets or due to any legal disability, or otherwise barred from any activity in any of the financial markets. Termination of Membership will disable a Constituent from undertaking further transactions including trading, Clearing and Settlement.

12. Clearing Corporation may also suspend a Constituent for a shorter period if he has incurred any legal or regulatory disqualification.

Glossary of changes to Securities Segment Regulations

Sr.	Chapter/ Clause	Existing Clause	Revised Clause	Rationale
1.	**CHAPTER VI: LIMITS AND MARGINS**	***New Insertion***	**B). MARGIN COMPONENTS** The Margins to be provided by the Members shall comprise of: (5) Stress Loss Margin Stress Loss Margin constitutes the Margin obligation required to be fulfilled by a Member if the Stress Loss on the outstanding Trades of a Member and / or its Constituents exceeds a certain threshold as may be notified by the Clearing Corporation from time to time. The process followed for imposition of Stress Loss Margin shall be as notified by Clearing Corporation from time to time.	← Provision made for introducing new Margin head i.e., Stress Loss Margin.
2.	**CHAPTER VIII: RISK MANAGEMENT**	**A). SCOPE OF RISK MANAGEMENT PRACTICES** **I.** Outright, market repo, GSL Transactions and Bond Forward Trades (other than Triparty Repo Trades)	**A). SCOPE OF RISK MANAGEMENT PRACTICES** **I.** Outright, market repo, GSL Transactions and Bond Forward Trades (other than Triparty Repo Trades) **1.** Clearing Corporation shall cover its risk	← Provision made for introducing new Margin head i.e., Stress Loss Margin.

		1. Clearing Corporation shall cover its risk through prescription of initial margin, mark-to-market margin, volatility margin and concentration margin.	through prescription of initial Margin, MTM Margin, volatility Margin ~~and~~ concentration Margin and Stress Loss Margin. Provided however that, Margin requirements shall not apply where Prefunding is received by the Clearing Corporation.	