THE CLEARING CORPORATION OF INDIA LTD.

Rupee Derivatives Segment and Rupee Derivatives (Guaranteed Settlement) Segment Regulations

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Amended in June, 2026.

DEFINITIONS

The following terms used in these Regulations shall have the meanings therein specified for the purpose of these Regulations.

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

2) **Assessment Calls** shall mean resources called from non-defaulting Members to replenish the Default Fund when losses on default handling exceed Prefunded Default Handling Resources.

3) **Auction** shall mean an auction of the Defaulter's Portfolio.

4) **Auction Pool / Bucket** means the Defaulter's Portfolio has been split into multiple portfolios to enhance the efficiency of the auction process, each such portfolio shall be referred to as an Auction Pool / Bucket. Where the defaulter's entire portfolio is auctioned without any split, such portfolio will constitute a single Auction Pool / Bucket.

5) **Cash Flow Date:** Cash Flow Date is the date on which payment obligations of members are due for settlement.

6) **Clearing Member:** Clearing Member is a Member of the Rupee Derivatives (Guaranteed) Settlement Segment of Clearing Corporation who is permitted to submit its Proprietary Trades and its Constituent's Trades for clearing and settlement to Clearing Corporation.

7) **Close-out** is a process of determining payment obligations before the date of settlement of concerned trades as per the process set out in Chapter VII – Settlement Shortage & Defaults.

8) **Constituent:** Constituent means an entity or a person on whose instructions and on whose account the Clearing Member clears and settles Trades in the Rupee Derivatives (Guaranteed) Settlement Segment.

9) **Constituent Trades:** Constituent Trades means all trades submitted by a Member on account of its Constituents for Clearing and Settlement to Clearing Corporation.

10) **Default Management Committees (DMC)** shall mean committees established by the Clearing Corporation for purposes of advising and assisting the Clearing Corporation in administration / management / handling of a Default by a Member and in other related matters. Each DMC is governed by the provisions set forth in Chapter XVI of Regulations of this segment.

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

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

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

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

13) **Defaulter's portfolio** shall mean and include the positions of the Defaulter accepted for clearing and settlement and may include Hedge Trades (if there be any) done to neutralize partially/ fully the market risk of such positions.

14) **Effective Date:** Effective Date is the date on which the parties to the Rupee Derivative contract begin calculating accrued obligations, such as fixed and floating interest payment obligations. The Effective Date shall be the first Mumbai Business Day (excluding Saturday) after the Trade Date for all the benchmarks except for the "INR-MIFOR/ INR-Modified MIFOR" benchmarks for which the Effective Date shall be the second Mumbai Business Day (excluding Saturday) after the Trade Date.

15) **Exposure Check** shall have meaning ascribed to such term in Regulation G1 of the Chapter IV.

16) FIMMDA: The Fixed Income Money Market and Derivatives Association of India.

17) Forward Rate Agreement: A Forward Rate Agreement is a financial contract between two parties to exchange interest payments for a notional principal amount on settlement date, for a specified period from start date to maturity date. Accordingly, on the settlement date, cash payments based on contract (fixed) and the settlement rate, are made by the parties to one another. The settlement rate is the agreed benchmark/reference rate prevailing on the settlement date.

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

19) Institutional Entity: An entity regulated by Reserve Bank of India (RBI), the Securities Exchange Board of India (SEBI), the Insurance Regulatory and Development Authority of India (IRDAI), the Pension Fund Regulatory and Development Authority (PFRDA) and the National Housing Bank (NHB) and belonging to the class of entities permitted by RBI to undertake transactions in Interest Rate Swaps. Institutional Entities can only be a Self-Clearing member.

20) Interest Rate Swap means a financial contract between two parties exchanging or swapping a stream of interest payments for a notional principal amount on multiple occasions during a specified period. Such contracts generally involve exchange of fixed to floating or floating to floating rates of interest. Accordingly, on each payment date-that occurs during the swap period-cash payments based on fixed/floating and floating rates, are made by the parties to one another.

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

22) **Market-maker:** An entity permitted by the RBI to undertake market making activity by providing bid and offer prices to market participants. A market-maker need not have an underlying risk to be hedged.

23) **Matched Book:** Clearing Corporation shall be said to have a matched book when its obligations to some Members arising out of trades cleared by it are matched by obligations of remaining Members to the Clearing Corporation on account of such trades.

24) **MIBOR:** Mumbai Inter Bank Outright Rate.

25) **MIFOR:** Mumbai Inter Bank Forward Outright Rate.

26) **Modified MIFOR (MMFOR):** Modified Mumbai Inter Bank Forward Outright Rate.

27) **MIOIS:** Mumbai Inter-Bank overnight indexed Swap.

28) **Member:** Member shall mean Clearing Member or, Self- Clearing Member, admitted as a member of the Rupee Derivatives (Guaranteed) Settlement Segment of Clearing Corporation 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 Rupee Derivatives (Guaranteed) Settlement Segment of Clearing Corporation.

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

30) **Notional Principal:** Notional principal or notional amount, of a rupee derivative contract is a hypothetical underlying quantity upon which interest rate or other payment obligations are computed.

31) **Portfolio Compression:** Portfolio Compression is a way to i) reduce the number of outstanding contracts (and therefore gross notional amounts) in OTC derivative portfolios without significantly altering the risk profiles of the portfolios of individual participants and

(ii) involves identification of economically redundant trades for early full or partial termination subject to the parameters defined by the individual participants of the exercise.

32) Porting: Porting means the transfer of Trades, positions and Margins of a Constituent from one Clearing Member to another Clearing Member.

33) Prefunded Default Handling Resources: Prefunded Default Handling Resources shall mean and include Defaulter's resources with Clearing Corporation, Clearing Corporation's contribution earmarked for the segment from its Settlement Reserve Fund and non-defaulters' Default Fund contribution.

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

35) Replenishment Level shall have meaning ascribed to such term in Regulation A2 of Chapter VI- Margins.

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

37) Reset Date: The reset date is the date on which floating interest rate for the next payment period is decided and fixed. Reset date is one Mumbai business day (excluding Saturday) before the cash flow date for all the benchmark trades except for MIFOR/MMFOR benchmark trades for which the reset date is two business days before the cash flow date.

38) Reversal i.e. Early Termination Date: Reversal i.e. Early Termination Date is any date before the actual maturity date of the Rupee Derivative contract on which both the counterparties agree to terminate the relevant Rupee Derivative contract.

39) Rupee Derivatives Dealing System: Rupee Derivatives Dealing System means the electronic system made available by Clearcorp to the members in respect of Rupee Derivative Transactions in terms of the provisions of its Bye-laws, Rules and Regulations of Clearcorp.

40) 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 in the Rupee Derivatives (Guaranteed) Settlement Segment.

41) Single-unit Auction shall mean an Auction where an Auction Pool will be available as a single unit.

42) Tearing-Up of Trades shall mean the process of closing out of Trades before the termination date where such close-out is initiated by the Clearing Corporation as part of its Default management process.

43) Tenor: The tenor indicates the life span of the Rupee Derivative contract.

44) Termination Date: Termination Date is the date on which the Rupee Derivative contract matures.

45) Trades: Trades includes all eligible Interest Rate Swaps and Forward Rate Agreements as received from Members in the Rupee Derivatives and Rupee Derivatives (Guaranteed) Settlement Segment by Clearing Corporation.

46) Trade Date: Trade Date is the date on which the parties enter into or agree to the terms of the Rupee Derivative contract.

CHAPTER I: INTRODUCTION

The Regulations shall be known as The Clearing Corporation of India Ltd (Rupee Derivatives Segment) Regulations 2010 and as amended in June, 2026.

APPLICABILITY

These Regulations shall be applicable to all Members admitted to the Rupee Derivatives Segment and the Rupee Derivatives (Guaranteed Settlement) Segment of The Clearing Corporation of India Ltd**.** The Rupee Derivatives Segment consists of Trade Processing Services and Non-Guaranteed Settlement Services.

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. Entities permitted by Reserve Bank of India to enter into Rupee Derivatives Trades and satisfy the relevant membership eligibility criteria of Clearing Corporation shall be eligible to seek membership to Rupee Derivatives Segment of Clearing Corporation;
2. Eligible entities desirous of availing the facility of Central Counterparty Clearing of their trades in Rupee Derivatives 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;
3. Entities admitted in terms of Regulation A (1) above, shall unless otherwise notified, be eligible on application to avail the facility of Non-Guaranteed Settlement

B) PROCESSING OF APPLICATIONS

1. Every such application received, in terms of sub-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 applicant. Such applications shall be processed 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 confer by itself automatic right 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, upon receipt of approval of Membership, intending to avail the services of Non- Guaranteed and Guaranteed Settlement through Clearing Corporation shall execute a set of documents in such form and manner as may be prescribed by Clearing Corporation. Such execution shall be carried out by duly authorized signatory (ies).
6. By submitting the application, the applicant shall be deemed to have given consent to Clearing Corporation for disclosure of all or any information relating to derivative transactions that are concluded by the applicant with counterparties which are branches of banks in other jurisdictions, to any Swap or Trade data Repository or Regulators, in India

or other jurisdictions, to whom disclosures are required to be made to the extent required or permitted by applicable laws.

C) MEMBERSHIP ID

1. Every Member admitted under the Rupee Derivatives (Guaranteed) Settlement Segment shall be identified as either a Clearing Member or a Self-Clearing Member.
2. Every applicant admitted as a Member of Clearing Corporation shall be allotted Membership ID or shall use the existing Membership Id as directed by Clearing Corporation;
3. Every Member shall incorporate the Membership ID in all trades reported to Clearing Corporation for Clearing and Settlement;
4. Every Member shall incorporate the Membership ID in all its communications to Clearing Corporation;
5. Non-incorporation of Membership ID by a Member in any trade or communication shall absolve Clearing Corporation of all liabilities or consequences of inaction by Clearing Corporation;
6. Every Member shall ensure that incorporation and/or use of its Membership ID is restricted to its authorized personnel only;
7. Clearing Corporation and/or any of its officials shall not in any way be liable for any loss or consequences that may arise on account of unauthorized and/or wrongful use of Membership ID.

D) CONSTITUENT ID:

1. A Clearing Member would be entitled to have Trades of its Constituents cleared in terms of policies and procedures as notified by Clearing Corporation from time to time.
2. Clearing Corporation shall allot each Constituent a unique ID for the purpose of identification upon request received from Clearing Members providing requisite details and documents, as prescribed by Clearing Corporation.

   Provided however, where Clearing Corporation has already allotted an unique ID to a Constituent on a request received from another Clearing Member, the Constituent ID that was originally allocated shall prevail.
3. Every Clearing Member shall incorporate the Constituent ID in all trades of its Constituents sent to Clearing Corporation;
4. Clearing Member shall be responsible for providing the requisite details for each Constituent.

5. Clearing Corporation shall be entitled to rely on information received from a Clearing Member in relation to its constituents (including such information regarding the proper segregation of positions and assets in such Clearing Member's Accounts).
6. Without prejudice to the foregoing, a Clearing Member shall, as soon as reasonably practicable following a request from Clearing Corporation, provide with any information which the Clearing Corporation may reasonably require in relation to each of its Constituents of that Clearing Member.
7. A Constituent may avail services of multiple Clearing Members of Clearing Corporation.
8. Clearing Members shall be responsible for the Constituent Trades submitted by it;
9. 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.

E) RESIGNATION FROM MEMBERSHIP:

1. A Member who:
   i) is not a Defaulter;
   ii) has met all margin calls, and
   iii) has replenished its Default Fund contribution in respect of calls made on or before the Resignation Request Date (as defined in Regulation E2 below);

   shall have the right to resign from Rupee Derivatives (Guaranteed Settlement) if it satisfies either of the following conditions:

   a) If a Member has no outstanding Trade as accepted by Clearing Corporation (hereinafter referred to as "outstanding Trades") for two previous months and outstanding Trades of any of its constituents have been ported to another clearing member; or
   b) If the Member has incurred a loss through replenishment of its contribution to the Rupee Derivatives Guaranteed Settlement Default Fund and the specified loss threshold as notified by Clearing Corporation from time to time in this respect has been reached.

   Provided however that a Member seeking to resign under Regulation **E (1) (a)** may be granted exemption from the requirement of not having any outstanding trades accepted for settlement in the previous two months:

   - If such resignation is on account of its merger / amalgamation with or its acquisition by another entity which is a member of Clearing Corporation in this Segment and

the merged / amalgamated or acquiring entity has given an undertaking to Clearing Corporation stating its intention to take over all obligations of the resigning member including the obligations of its constituents and also its obligations towards the Default Fund arising out of the provisions of Chapter IX, 'Default Fund' of these Regulations.

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

2. A Member resigning under Regulation E1 (a) shall have to give prior notice in writing to the Clearing Corporation clearly indicating its decision to resign from the Rupee Derivatives Guaranteed Settlement Segment.

   The notice shall be effective on the Resignation Request Date.

   Clearing Corporation shall promptly notify other Members of this segment about the resignation request received. Such request for resignation under E1 (a**)**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 Resignation Request Date, based on the 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.

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

3. A Member desiring to resign under Regulation E1 (b) above shall have to give prior notice of 30 calendar days to the Clearing Corporation in writing clearly indicating its decision to resign from the Rupee Derivatives (Guaranteed Settlement) Segment.

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

3.1. The resigning Member shall then be required to:

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

b. Where the Constituents of such resigning member have Outstanding Trades as of Resignation Request Date, the Clearing Member shall facilitate either a close out of such trades or arrange for these trades and the corresponding margins to be ported to another Clearing Member(s).

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

4. All requests for resignation under Regulation E1 (b) shall be approved by the Managing Director of Clearing Corporation or by an official so authorised by the Managing Director, based on the fulfillment or otherwise of the conditions for resignation by the member after the Member has closed-out all its Outstanding Trades of itself and its Constituents or ported out the Outstanding Trades of its Constituents and margins to another Clearing Member or undertaken the Portfolio Transfer, as the case may be within the specified 30 days notice period or within the extended period and upon the fulfillment of all the requirements under Regulation E(3.1). Such request for resignation may be rejected by the Managing Director of Clearing Corporation or by an official so authorized by the Managing Director in case the Member has not fulfilled any obligations or liabilities arising out of or incidental to any Trades under the segment in terms of the Bye-Laws, Rules and Regulations of Clearing Corporation. In the event of such rejection, the reasons for such rejection shall also be communicated to the Member.

If said resignation is not rejected or if such approval is not given by the end of the day of the Member's closing out and/or Portfolio Transfer and/or Porting of all outstanding Trades (including the closing out in terms of Regulation E(3.1)(b)), it shall be deemed approved at the end of such day. Such resignation shall however come into effect from the end of the day upon the acceptance by Clearing Corporation of the Portfolio Transfer and/or Porting and/or trades generated out of the close-out process. The resigning Member shall thereupon be entitled to receive any amount lying to the credit of its Default Fund account for this segment after adjusting for other dues to Clearing Corporation.

5. If the Member fails to Close-Out / effect a Portfolio Transfer/ Porting, as the case may be, in accordance with Regulation E (3.1) above, the resignation notice shall automatically become null and void.

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

CHAPTER III: Members Common Collateral/ Collateral

The provisions of this chapter shall be applicable only to Members of Rupee Derivatives (Guaranteed Settlement) Segment.

1. PURPOSE

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

2. COMPOSITION, ADMINISTRATION AND WITHDRAWAL OF MCC

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

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

3. INTEREST ON CASH CONTRIBUTIONS TO MCC

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

CHAPTER IV: PROCESSING OF RUPEE DERIVATIVE TRADES

The provisions of this chapter are applicable for processing services for trades reported by all Members of the Rupee Derivatives Segment including Members opting for guaranteed settlement of Clearing Corporation for their Proprietary Trades and the Constituent Trades, unless stated otherwise.

A. ELIGIBLE TRADES

a) Clearing Corporation shall accept the following Rupee Derivatives Trades:
   i) Interest Rate Swap
   ii) Forward Rate Agreement

b) Clearing Corporation may, from time to time, notify the type of trade eligible to be included under its Rupee Derivatives Segment;

c) Clearing Corporation may, from time to time, notify the type of trades including the benchmarks eligible to be included under its Rupee Derivatives (Guaranteed Settlement) Segment; Such trades shall include trades undertaken bilaterally amongst the members and Trades undertaken on the Rupee Derivatives Dealing System

d) All Trades as notified in Rupee Derivatives Instruments in the Rupee Derivatives Segment that have the status as matched shall be accepted for processing;

e) Clearing Corporation shall, from time to time, notify the features like Minimum Notional Principal Amount, Tenor, Effective Date, Reset dates, Floating Benchmark Rates etc for each type of Rupee Derivatives trade.

B. ACCEPTANCE OF TRADES:

1. Clearing Corporation shall receive details of Trades reported by Members of Rupee Derivatives Segment in a prescribed format over INFINET or any other form/manner as deemed fit and notified by Clearing Corporation. Clearing Corporation may also accept eligible trades reported by the Members of Rupee Derivatives Segment to the CCIL Trade Repository (CCIL TR) and Members shall be deemed to have consented to such flow of trades for Clearing and Settlement. Clearing Corporation shall accept such Trades reported by the Members for processing;
2. The trades matched as per sub-Regulation B(1) above shall hereinafter be called Trade For Processing (TFPR).Status of "TFPR" refers to trades that are not eligible for Guarantee by Clearing Corporation. The Trades with status "TFPR" shall however be eligible for

settlement through Clearing Corporation on a non-guaranteed basis if both the counterparties have availed the facility of non-guaranteed settlement.

3. Clearing Corporation shall receive details of Proprietary Trades and Constituent Trades reported by Members of Rupee Derivatives (Guaranteed Settlement) Segment in a prescribed format over INFINET or any other form as deemed fit and notified by Clearing Corporation. Clearing Corporation may also receive eligible trades reported by the Members of Rupee Derivatives Segment to the CCIL Trade Repository (CCIL TR) and Members shall be deemed to have consented to such flow of trades for Clearing and Settlement. Clearing Corporation shall accept eligible trades reported by the Members of Rupee Derivatives (Guaranteed Settlement) Segment for Clearing and Settlement;
4. Clearing Corporation shall directly receive trades concluded on the Rupee Derivatives Dealing system in the Rupee Derivatives (Guaranteed Settlement). Trades received from the Rupee Derivatives Dealing System shall be eligible for clearing and settlement by Clearing Corporation from the point of acceptance of the trade by Clearing Corporation;
5. Clearing Corporation shall subject all those trades accepted as per sub -Regulation B (3) and B (4) above to Exposure Check on an online basis in order to verify that margin available to the credit of the Members are adequate to provide risk cover for guaranteed settlement for such matched trades as per Chapter VIII on Risk Management.

C. TIMINGS

1. Members shall be governed by the prevalent RBI notification for reporting of deals / trades. However, for reporting of amendments, cancellations and reversals of deals / trades and for various other activities incidental to the processing, a separate time schedule will be notified by Clearing Corporation from time to time.
2. Clearing Corporation may modify time schedules for the various activities prescribed in sub-Regulation C (1) above, and notify the Members of such changes at least seven business days before such changes shall take effect;

   Provided however that Clearing Corporation may, if it is of the opinion that it is in interest of the market, reduce the notice period.
3. The Member shall adhere to the time schedules prescribed as above. Clearing Corporation shall not be bound to accept deals received after the cut-off times prescribed and shall not be responsible for any consequences arising as a result of non-acceptance of such deals.

D. NEW TRADES: VALIDATION AND MATCHING OF REPORTED DEALS

1. The deals reported by Members shall be validated to ensure that:
   (i) Both the counterparties to the trade are Members of Rupee Derivatives Segment; Counterparties to trades undertaken with Institutional Entities, shall be market makers.
   (ii) No information as required in the format prescribed is omitted;
   (iii) The dates reported are valid business days as notified by Clearing Corporation.
   (iv) Details of both the Clearing Member and the Constituent are adequately provided.

   These validations shall be applicable for both trades reported only for processing and to trades reported for settlement on a guaranteed and non- guaranteed basis. For Constituent Trades, at least one of the parties to the trade shall be a market maker.
2. Clearing Corporation shall, after successful validation of deals received from both the Members, match the deals to form a trade and generate a unique Trade ID for each such trade;
3. Clearing Corporation shall reject those deals which do not satisfy validation checks under advice to Members;

E. REJECTION OF REPORTED DEALS

Clearing Corporation shall be entitled to reject the deals reported to it by Members for any valid reason such as:

a. Inaccurate information such as incorrect Membership ID, invalid dates etc.;

b. If deal is reported beyond cut-off time as notified by Clearing Corporation;

c. When an amendment, cancellation or reversal (i.e. early termination) is reported for an already rejected trade.

d. Where at least, one of the parties to the trade is not a market maker.

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

F. AMENDMENT / REVERSAL (i.e. EARLY TERMINATION) / CANCELLATION OF TRADES

1. Amendment/reversal (i.e. early termination)/cancellation instruction, if any, reported by the Members, after the original Trade has been matched shall be acted upon only if the amendment/reversal (i.e. early termination)/cancellation instruction is received from both the counterparties to the trade within the time limit prescribed for the purpose of reporting such

instructions, failing which Clearing Corporation shall proceed with the original matched Trade;

2. For Members of Rupee Derivatives (Guaranteed Settlement) Segment, Clearing Corporation shall subject to Exposure Check any amendment/reversal (i.e. early termination)/cancellation to trades already accepted for settlement in order to verify that the margin available to the credit of both the counter-party Members are adequate to meet the margin requirement on the resultant position. For reversals (i.e. early terminations), the cash flows due on such early terminations will also be taken into consideration for assessing margin adequacy on the resultant position;
3. Amendments/Cancellations/Reversals (i.e. early terminations) if any, reported by the Members of Rupee Derivatives (Guaranteed Settlement) Segment in respect of trades accepted for settlement, shall be acted upon only if the resultant position also passes Exposure Check, failing which Clearing Corporation shall proceed with the original matched Trade.

G. EXPOSURE CONTROL AND ACCEPTANCE OF TRADES IN RUPEE DERIVATIVES (GUARANTEED SETTLEMENT) SEGMENT

1) Clearing Corporation shall subject all eligible matched trades to verification of adequacy of margins for both Members to a trade for themselves or on account of their Constituent(s) on a trade by trade basis. This process is termed as 'Exposure Check'. Eligible matched trades shall include all trades that satisfy conditions in Chapter IV (A) of these Regulations whether reported and matched or concluded on the Rupee Derivatives Dealing System. Trades which pass through Exposure Check shall be novated for guaranteed settlement by the Clearing Corporation.
2) Trades which fail to pass through Exposure Check shall remain in queue as "Pending Exposure". Exposure validation for such trades shall continue to be performed on an ongoing FIFO basis until a notified number of days before the Cash Flow Date. If a trade fails to pass Exposure Check even at that stage, such a trade shall be classified as "Trade For Processing" (TFPR);
3) Unless stated otherwise, TFPR trades shall also consist of the following:
    a) Trades (including amended trades) which do not pass through Exposure Check and remain as pending exposure for a notified number of days after matching;
    b) Trades which remain as pending exposure until a certain number of days before the Cash Flow Date as notified by Clearing Corporation;

c) Either counterparty to a trade has not opted for guaranteed settlement of Clearing Corporation;

d) Any other reason as notified by Clearing Corporation from time to time.

4) The Exposure Check of the reported trades and trades received from Rupee Derivatives Dealing System shall be carried out on an online basis during the business hours as notified by Clearing Corporation.

5) The margin amount as contributed by the member before commencement of trading on Rupee Derivatives Dealing System shall be appropriated towards the respective margin obligation required to be fulfilled by a Member in relation to the risk exposures on the matched deals on the Rupee Derivatives Dealing System or on the deals reported directly by members to Clearing Corporation in the order in which such deals are matched.

6) If the margin amount contributed towards the Rupee Derivatives Dealing System is inadequate, the MCC value made available by the Member, if any, shall be blocked towards the balance margin requirement.

7) Void Trades

a. The trades concluded on the Rupee Derivatives Dealing System are guaranteed by Clearing Corporation in accordance with the bye-laws, rules and regulations of Clearing Corporation. The trades concluded on Rupee Derivatives Dealing System shall not be treated as cancelled and void under normal circumstances;

b. Clearcorp, however, under exceptional situations, shall have the right to cancel the trades in case of any system failures at Clearing Corporation or Clearcorp leading to failure of trade acceptance process or where such action is necessary to protect the integrity of the market;

c. Notwithstanding any other provisions, the Clearing Corporation shall be entitled to treat any trade as void if it believes that the trades are executed at the prices that could adversely affect market integrity or if any trade is cancelled by Clearcorp;

d. Trades treated as void in such events set out in Regulations (a), (b) and (c) above shall be void ab initio. No liability whatsoever shall accrue to Clearcorp / Clearing Corporation and/or any of its officials for not clearing and settling such trades in terms of this provision;

e. Clearing Corporation shall be entitled to recover any liability from any Member arising out of treating the trades as void for the purpose of Clearing and Settlement.

H. TRANSFER OF TRADES

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

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

   In the event the application of a transferor Member fulfills the criteria prescribed herein, the application will be approved and the Clearing Corporation shall facilitate the Portfolio Transfer and/or Porting in accordance with the procedure notified for the purpose.
   4.3. Application Deferred to a later date /Rejection of Application
      4.3.1. Clearing Corporation may, at its discretion, defer/reject an application for Portfolio Transfer and/or Porting, if such Portfolio Transfer and/or Porting is prejudicial to the overall interest of the market or the payment system itself, if it deems such transfer inconsistent with applicable law or it is detrimental to the interests, reputation of Clearing Corporation or prejudicial or subversive to its objects and purposes.

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

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

5. Other Conditions

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

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

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

5.4. The transferee Member:

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

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

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

6. Nothing contained herein shall preclude the Clearing Corporation from notifying any such additional conditions (including but not limited to any additional Margins and/or Default Fund) and such other procedures as may be necessary to effect the Portfolio Transfer and/or Porting of Rupee Derivative Trades from time to time.

7. The process and operational modalities for Portfolio Transfer and/or Porting shall be notified by the Clearing Corporation from time to time.

8. Clearing Corporation may, in its absolute discretion, also facilitate a special Portfolio Compression exercise in accordance with Chapter XIV: Portfolio Compression to ease the process of transfer of Trades.
9. Nothing contained in this Chapter or the Bye-Laws, Rules and Regulations intends to or constitutes any right on the Member to seek the Portfolio Transfer and/or Porting, unless such 'Portfolio Transfer and/or Porting and the category(ies) of such transfer etc. are notified by the Clearing Corporation and the Member fulfills the requirements prescribed therein.

I. HOLIDAY RULES

1. Clearing Corporation shall normally function on all the days, excluding Sundays and those days that are declared as holidays under the Negotiable Instruments Act, 1881 and such other days on which transactions/settlement may not take place as declared by RBI or such other authority;
2. Unless otherwise specified, Saturday shall not be a Business Day for any purpose and regardless of the centre where the deal is transacted, the benchmark and the holiday calendar for the purposes of computation of interest streams shall be as that in Mumbai, except in case of Interest Rate Swap wherein the benchmark is based on the foreign exchange market, for which the holiday calendar of the relevant centre for that currency shall also be applicable;
3. Unless stated otherwise, Clearing Corporation may follow the guidelines issued by the Regulator or such other authority for giving effect to the terms of trade including the Trade Date, effective date, reset date, termination date etc. on such declaration of holidays.

CHAPTER V: SETTLEMENT OF CASHFLOWS OF TRADES

A. SETTLEMENT OF CASH FLOWS UNDER NON-GUARANTEED SETTLEMENT

The provisions of Regulation A shall be applicable for the following types of trades, concluded between market makers that have status as matched, provided;

a) Both the counterparties to the trade have opted for non-guaranteed settlement;
b) One of the counterparties to the trade has opted for non-guaranteed settlement and the other counterparty has opted for both non-guaranteed and guaranteed settlement

1. Clearing Corporation shall notify the changes, if any, to the methodology for computation of settlement obligation of trades as set out below;
2. Cash flows in respect of those trades including payable/receivable amount on reversal (i.e. early terminated) trades which have been matched as TFPR shall be considered for non-guaranteed settlement;
3. While computing settlement obligation for the Members, Clearing Corporation shall, include the consideration amount as reported by the Members for their reversal (i.e. early terminated) trades to be settled and shall not be responsible for any error on the part of the Member in reporting consideration amount for such trades;
4. Cash flows in respect of those trades including payable/receivable amount on reversal (i.e. early terminated) trades which have been rejected in terms of Chapter IV (G) (2) of these Regulations shall be settled on a non- guaranteed basis by Clearing Corporation provided both the Members have opted for non-guaranteed settlement.
5. Clearing Corporation shall, at the time of arriving at the settlement obligation of each Member, carry out multi-lateral netting across all applicable trades of the Members;
6. Clearing Corporation shall, at the end of each day, generate Final Obligation Report for each Member for settlement on next business day. The final obligation shall include:
    a. the settlement obligation arising out of normal trades of the Member;
    b. the settlement obligation arising out of reversal (i.e. early termination) of trades as reported by Member/s;
7. The Obligations contained in the Final Obligation Report shall constitute binding and conclusive confirmation of the respective Member's settlement obligation for such settlement date position;
8. Settlement Obligation report generated by Clearing Corporation shall:

a. contain details of the net position of the Member for a settlement date and shall include all trades accepted for non-guaranteed settlement for arriving at such position;
b. 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. be Members' instructions to Clearing Corporation for effecting settlement in its RTGS Settlement / Current account at RBI;

9. Clearing Corporation shall, on the day of settlement, generate settlement obligation file which shall be sent to RBI for settlement within the cut-off time as notified by RBI for Rupee Derivatives settlement;
10. Unless otherwise specified, the settlement of funds in respect of Members shall take place through its RTGS Settlement / current account maintained with RBI;
11. Member shall ensure availability of sufficient funds in its RTGS Settlement / current account with RBI;
12. Members may pre fund the settlement obligations as notified by Clearing Corporation from time to time.
13. Shortfall in the account of a Member to meet its fund obligations arising out of its cashflows for a settlement date shall be considered as funds shortage;
14. Fund shortage as per the Sub-Regulation A (13) shall be handled as under:
    a) The shortfall amount shall be allocated to the Member(s) who have funds receivable position (hereinafter called "Allocatee") on a bilaterally netted basis from the Member who has committed shortage;
    b) The allocation shall be in the ratio of net amount receivable from the Member who has committed shortage;
    c) Such allocation may result in revision of the obligation values for the Allocatees as under:
        i. Reduction in existing payout (receivable by the Member) value or
        ii. Increase in existing pay-in (payable by the Member) value or
        iii. Conversion of existing payout to pay-in value.
    d) Clearing Corporation shall communicate to all the Allocatees about the revised obligation values;
    e) Allocatees whose receivable position is converted into payable position or allocatees whose payable position has increased as a result of such allocation, shall be required to fund their account with RBI before a specified time on the settlement date as notified from time to time.;

f) The revised settlement file shall be sent to RBI for settlement;

g) If all pay-ins (payable by the Members) are successfully processed, the payouts or the receivable obligations of the Members shall be paid out;

h) In the event of a shortage being encountered in the revised obligation, Clearing Corporation shall abandon the non-guaranteed settlement for the day and the same shall be communicated to concerned Members;

i) Clearing Corporation shall not be responsible for the settlement of trades under non-guaranteed settlement.

B. SETTLEMENT OF CASH FLOWS UNDER GUARANTEED SETTLEMENT

The provisions of this Regulation B shall be applicable for the trades that are eligible for guaranteed settlement where both the counterparties to the trade have opted for Guaranteed Settlement.

1. Clearing Corporation shall accept for Clearing and Settlement only those matched trades including reversal trades which pass Exposure Checks as mentioned in Chapter IV (G) of these Regulations;
2. Clearing Corporation shall notify the benchmark rates and the methodology for computation of settlement obligation of trades;
3. While computing settlement obligation for the Members, Clearing Corporation shall, include the consideration amount as reported by the Members for reversal (i.e. early terminated) trades for itself or/ and its constituent's to be settled and shall not be responsible for any error on the part of the Member in reporting consideration amount for such trades;
4. Funds obligation of a Member shall comprise of the obligation in respect of Proprietary Trades and Constituent(s) Trades which have passed exposure and have cash flows due for settlement for a given settlement date;
5. Clearing Corporation shall, at the time of arriving at the settlement obligation of each Member, carry out multi-lateral netting across all counterparties of the Member and across all counterparties of its Constituent(s);
6. Clearing Corporation shall, at the end of each day, generate Final Obligation Report for each Member for settlement on next business day. The final obligation shall include:

    a) the settlement obligation arising out of normal trades of the Member and the trades of its Constituent(s);

b) the settlement obligation arising out of reversal (i.e. early termination) of trades as reported by Member/s and its Constituent(s);

7. The Obligations contained in the Final Obligation Report shall constitute binding and conclusive confirmation of the respective Member's obligations. The obligations of the respective Members so determined shall be deemed to be final and irrevocable.
8. Settlement Obligation Report generated by Clearing Corporation shall:
   a. Contain details of the net position of the Member for a settlement date and shall include all Proprietary Trades and Constituent Trades accepted for Guaranteed Settlement for arriving at such position;
   b. 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. Be Members' instructions to Clearing Corporation for effecting settlement in its RTGS Settlement / current account at RBI/Account with Settlement Bank;
   d. Settlement shall be final and irrevocable when the net obligations are determined.
9. Clearing Corporation shall, on the day of settlement, generate settlement obligation file which shall be sent to RBI/Settlement Bank for settlement within the cut-off time as notified by Clearing Corporation for Rupee Derivatives Settlement;
10. Unless otherwise specified, the settlement of funds in respect of Members shall take place through its RTGS Settlement / current account maintained with RBI, or current account maintained with Settlement Bank as provided in Chapter XV relating to Settlement Bank.
11. Member shall ensure availability of sufficient funds in its RTGS Settlement/ current account with RBI/ Settlement Bank and if a Member fails to provide the same on the settlement date to meet its fund obligations arising out of its deals, it shall be considered as funds shortage which shall be dealt with as provided in Chapter VII relating to " Settlement Shortage &Defaults" in these Regulations;
12. Clearing Corporation shall, after receipt of settlement confirmation from RBI, release the margins which are blocked as described in Chapter VI (D) of these Regulations for the fund obligation of Members.
13. Clearing Member shall ensure that pay out of funds are made to the respective Constituent(s) on the relevant settlement day.
14. In an event of Default of a Member, any funds payment obligation arising during the Default Management Period from defaulting member's Trades or positions, which are impending allotment, allocation or tear-up, shall be processed by Clearing Corporation using the available Prefunded Default Handling Resources. Similarly, any funds receivable on such

defaulting member's Trades or positions shall be deemed to have been made available towards the Prefunded Default Handling Resources.

C. TRADES NOT SETTLED BY CLEARING CORPORATION

Clearing Corporation shall assume no responsibility for settlement of such trades which are not eligible to be settled on a non guaranteed basis in terms of Regulation A above or on a guaranteed basis in terms of Regulation B above.

CHAPTER VI: MARGINS

The provisions of this chapter shall be applicable only to Members of Rupee Derivatives (Guaranteed Settlement) Segment.

A) Margin Requirements

1. Clearing Corporation shall prescribe the requirements of margins for the Rupee Derivative trades to be cleared through Clearing Corporation and the Members shall furnish such margins as a condition precedent for acceptance of both Proprietary Trades and Constituent Trades(s) by Clearing Corporation for-clearing.
2. Clearing Corporation shall be entitled to make a margin call if the margin obligation of a Member reaches a specified percentage of its MCC value made available as margin as notified by Clearing Corporation. Such specified percentage shall be termed as Replenishment Level. If a margin call is sent by Clearing Corporation, it shall be the responsibility of the Member to bring additional margin thereafter so that the margin requirements in the account of the Member and its Constituent (s) as a percentage of margin availability is below the Replenishment Level.
3. Clearing Corporation may however continue to accept trades on account of such Member till the margin obligation reaches a higher percentage, termed as Rejection Level. After the margin obligation for a Member/ its Constituent(s) reaches Rejection Level, Clearing Corporation may ordinarily not accept any further trade of the Member / including that of its Constituent(s) till additional margin is deposited so as to bring the margin requirement as a percentage of margin availability on account of that Member / its Constituent(s) to lower than the Replenishment Level as described above. Clearing Corporation however may accept trades for clearing without any further reference to any Member / its Constituent(s), even after the margin availability has breached the Rejection level, if such acceptance is necessitated due to post trade Exposure Check of trades concluded on Rupee Derivatives Dealing System.

   In case of a breach of the rejection level for any Constituent(s), additional margin to the extent of such breach shall be blocked from the margin made available by the Clearing Member. Such margin blocked from the Clearing Member will be released once such margin shortfall is replenished.

4. Clearing Corporation shall notify the percentages set as Replenishment Level and Rejection Level. It may also, after duly notifying the Members, alter the percentages set as Replenishment Level or Rejection Level.
5. Clearing Corporation shall make Margin Call for Margin Shortfall, if any, after re-computation of Margins at end of the day. On receipt of notice towards any such Margin Call, the Member shall arrange to provide additional amount in its MCC account not later than on the next working day before the time notified by Clearing Corporation, such that the balance in MCC account available as Margin is adequate to cover its Margin obligation (i.e. the Margin requirement as percentage of Margin available is below the Replenishment Level as described in Regulation A (2) above). In case of Margin Shortfall after re-computation of Margins at end of the day on the Constituent's Collateral account, Clearing Corporation shall meet the Margin Shortfall by blocking the Margins furnished by the Clearing Member on its own account.

B) MARGIN COMPONENTS

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

1. Initial Margin

i) Initial Margin is the Margin obligation required to be fulfilled by a Member as its contribution to MCC in relation to risk exposure on the outstanding Proprietary Trades and Constituent Trades accepted for Clearing and Settlement by Clearing Corporation. Such risk exposure shall be arrived at based on Value at Risk for the portfolio of outstanding trades or based on such other method as notified by Clearing Corporation from time to time.

ii) Initial Margin shall also include an additional amount towards Spread Margin in order to effect a partial disallowance of the full offset between various IRS and FRA trades provided through portfolio margining. Spread margin shall be computed as per the process notified by Clearing Corporation from time to time.

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

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

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

4.Mark to Market Margin

i) Mark to Market margin is that margin contributed towards change in value of its trade portfolio arising out of adverse rate movements and required to be contributed by a Member. Such obligation shall be computed as part of daily marking to market exercise as outlined in Chapter relating to "Risk Management" in these Regulations, on outstanding Trades of the Members and Constituent(s) Trades accepted for clearing by Clearing Corporation.

ii) In case of high volatility in the market, Clearing Corporation shall also collect MTM margin on intra-day basis from the Members on their trades and Constituent(s) Trades already accepted for settlement based on a process as notified by Clearing Corporation from time to time.

Mark to Market Margin shall be arrived at separately by Clearing Corporation for each Clearing Member and for each of its Constituents and no offsets shall be permitted between the Proprietary Trades and Constituent Trades or between Trades of two Constituents.

5.Volatility Margin

i) Volatility Margin comprises of the Margin obligation imposed by Clearing Corporation due to sudden increase in volatility in swap rates, forward premia or interest rates and required to be fulfilled by a Member as its contribution towards MCC. Clearing Corporation shall be entitled to impose such Margin whenever it is of the view that the volatility of rates in the market is at a higher than the normal level. The Members shall be notified by Clearing Corporation prior to the collection and/or maintenance of Volatility Margin. Members shall have the obligation to immediately meet any shortfall in Margin arising out of imposition of Volatility Margin for outstanding Proprietary Trades and Constituent Trades.

4. Concentration Margin

Concentration margin is that margin obligation required to be made by a Member for itself and / or its Constituents in relation to their respective outstanding exposures in any particular benchmark and/or tenor or for a number of such benchmarks and tenors, beyond pre-determined limit(s) set by Clearing Corporation. Clearing Corporation shall have the right to stipulate such margin from any future date after due notification to its Members.

C) SUSPENSION ON FAILURE TO PAY MARGIN

Notwithstanding anything contained elsewhere in these Regulations:-

1) If a Member fails to comply with the margin call on its proprietary account or on behalf of its Constituent (s) as stipulated under Chapter VI (A) of these regulations, Clearing Corporation shall be entitled to temporarily suspend the Membership rights of such a Member and its constituents to the Rupee Derivatives (Guaranteed Settlement) Segment or to restrict the access rights of the Member to the Rupee Derivatives Dealing System including effecting a shift to access on Risk Reduction Mode and/or to collection of margins based on orders without providing any offset between buy and sale. In Risk Reduction Mode, Clearing Corporation may accept for clearing only such trades as will have the effect of reducing exposure of Clearing Corporation on the Member / its Constituent(s) and / or may advise Clearcorp to admit for trading on the trading system only such orders which, if traded, will have the effect of reducing exposure of the Clearing Corporation;
2) If a Member fails to fulfill its margin obligations before the time notified for the purpose, Clearing Corporation shall advise Clearcorp to suspend the rights of the Member / its Constituent(s) from trading on the Rupee Derivatives Dealing System. The trading rights shall be restored on the Member / its Constituent(s) meeting the margin obligation to the satisfaction of Clearing Corporation;
3) A Member shall be liable to pay penalty on the Margin shortfall, for the period of delay in fulfilling its margin obligations, as per the rates specified by Clearing Corporation. Clearing Corporation may after due notification, vary the rate of penalty applicable for a Margin shortfall. While computing penalty, only business day may be reckoned provided such penalty and margin shortfall is replenished by the defaulting Member on the next business day. However, in the event of failure by a Member to honour its obligation on the next business day, as above, the actual number of days including intervening holidays, Sunday and non-business days shall be reckoned for calculation of penalty amount.
4) The Membership of a Member who has been subjected to temporary suspension due to non-fulfillment of margin obligation shall come up for review after the margin shortfall is met or the available margin in the account becomes adequate to cover the Member's / its Constituent's margin obligation Clearing Corporation may reinstate a suspended Member upon a review of its action in fulfillment of such Member's / its Constituents Margin obligations and interest/other charges due to Clearing Corporation.

D) CRYSTALLIZED SETTLEMENT OBLIGATIONS:

1. For an outstanding Proprietary Trade or Constituent Trades of the amount determined as payable or receivable by the Member either in relation to periodic cash flow exchange and/or due to early termination is termed as Crystallized Settlement Obligation.
2. All Crystallized Settlement Obligations on account of the trades of a Member and its Constituent(s) are sub divided into the following two groups: a) amount due for settlement on the current business day and; (b) amount due for settlement arising on account of early termination of trades on any subsequent business day.
3. Discounted value of any net receivable amount by a Member / its Constituent(s) on account of settlement dates subsequent to the current business day shall be reckoned as equivalent to additional margin deposit by the Member.
4. If the settlement for the day is not over till the processing for MTM margin calculation for the day, amounts payable by the members on account of their settlement obligations of the day together with possible interest costs in case of Default, are transferred from MTM margin collected from such Members / constituent(s) to their Crystallized Settlement Obligation Account. In case the MTM Margin collected from any Member is not sufficient to allow such transfer, the amount may be collected as additional margin from such Member / constituent(s) at this stage.
5. After the day's settlement is over, Crystallized Settlement Obligation of the Members for the current business day, if any, shall be released. In the event of settlement shortage in the account of any Member, such amount shall however be transferred to Margin Held Back for Default account.
6. Detailed processes in respect of these appropriations shall be notified by Clearing Corporation from time to time. Clearing Corporation shall also be entitled to change processes in this regard after giving notice to the Members.

E) Margin Reporting by Clearing Member

i. 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

i. The Clearing Member shall in respect of its Constituents deposit with Clearing Corporation margin in the form of cash and / 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

ii. 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.

iii. 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

The provisions of this chapter shall be applicable only to Members of Rupee Derivatives (Guaranteed Settlement) Segment.

I Settlement Shortage

Failure of a Member to discharge either its proprietary or its Constituent's obligation to pay funds due from the member at the time of settlement shall be treated as a settlement shortage.

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 Lines of Credit.

Effect of settlement shortage:

The Member-in shortage shall be liable to make good the payment equivalent to the shortfall together with the charges, penalties and other levies, as notified by Clearing Corporation from time to time, within the specified cut-off time.

II Default Handling

A DECLARATION OF DEFAULT

A Member shall be treated as a defaulter ("Defaulter") in this segment:

a) If it does not make good this amount of settlement shortage referred to above within the specified cut-off time.
b) If it fails to replenish margin after its utilization has exceeded 100% of the margins made available for meeting margin requirements within the specified cut-off time.
c) If it is declared Defaulter in another segment and/or filed for insolvency under relevant laws and/or declared insolvent by a competent authority.
d) If it is unable to pay within the specified time, damages and the money difference due to a close-out effected against it under the Bye-laws, Rules and Regulations.
e) If it fails to replenish the Default Fund contribution in terms of Regulation J(i) and J(ii) of Chapter IX ;
f) Due to any other circumstances as set out in the Bye-laws, Rules and Regulations.

Provided however, if the Member-in-shortage has been placed under moratorium or any other directions issued by the Regulator or a competent authority due to which such Member is not able to replenish the shortage, then, in that case Clearing Corporation shall have the right to

initiate appropriation of its MCC contributions without declaring such Member as a Defaulter.

B DEFAULT HANDLING PROCEDURE FOR SETTLEMENT SHORTAGE

a) Any shortage in meeting daily settlement obligation in this segment shall, unless replenished by the Member by 11.00 A.M. on the next day (by 10.30 A.M. if the next day is a working Saturday), be treated as a Default by the Member. For meeting such shortage, Clearing Corporation shall have the authority to sell the securities placed by the Member as margin deposit in the proprietary account. Such sale could be made either through NDS-OM or Over the Counter or sale through private arrangement as decided by Clearing Corporation

b) Provided, however, if the Settlement Shortages are identified to a Constituent/s, then the MCC contributed by the Clearing Member for that Constituent/s shall be withheld. If the MCC contributions withheld as above are inadequate to cover the risk exposure, then contribution received from the Clearing Member shall be withheld. Clearing Corporation shall have the authority to sell the Securities forming part of the MCC withheld. Such sale shall be carried out in the manner prescribed in sub-Regulation (a) above.

c) If Clearing Corporation resorts to the provisions of the sub-Regulation B a) and b) above, the Defaulter Member shall be liable to pay charges and penalties as notified by Clearing Corporation from time to time.

C. DEFAULT MANAGEMENT COMMITTEE

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

f) Any other incidental matter(s) in connection with the above as may be brought before the Default Management Committee by the Clearing Corporation.

2. Provisions pertaining to the constitution of the DMC, including rights and obligations of the Default Management Committee have been prescribed in Chapter XVI- Default Management Committee of these Regulations.

D. MULTIPLE DEFAULTS IN THE SAME DEFAULT MANAGEMENT PERIOD

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

E.DEFAULT HANDLING PROCEDURE FOR DEFAULT DECLARED IN TERMS OF REGULATIONS II A) ABOVE EXCEPT FOR SETTLEMENT SHORTAGE

1. Clearing Corporation shall on declaration of Default resort to transferring the defaulting Member's proprietary positions to one or more non-defaulting Members by way of a sale (including an auction) or through an allocation mechanism as mentioned in E. 4(e) below.
2. Risk neutralization of the Defaulter's Portfolio
   a) The Clearing Corporation with the assistance of the Default Management Committee may reduce as much as is possible and reasonable the market risk of the positions of the defaulting Member by executing Hedge Trades.
   b) For this purpose, the Clearing Corporation may, with the assistance of the Default Management Committee enter into new transactions with non-defaulting Members in order to hedge the Defaulter's Portfolio. Such transactions may be concluded on trading platforms operated by Clearcorp or in accordance with separate arrangements between the Clearing Corporation and other Members of the segment availing clearing services for rupee derivative trades (including FRAs).
   c) The hedge transactions shall be considered as part of the Defaulter's Portfolio with respect to the further processes undertaken in accordance with the Default management process.
   d) The Clearing Corporation may, in consultation with the DMC, in certain cases decide not to carry out such hedge transactions where it is reasonably felt that the cost and time involved may be detrimental to the successful conclusion of the Default Handling Process.

3. The Clearing Corporation may, in consultation with the DMC, decide to split the Defaulter's Portfolio which shall include the Hedge Trades done in terms of sub-Regulation E. (2)(b) above into Multiple Buckets with the aim of enhancing the efficiency of the Auction Process. The process of splitting the Defaulter's Portfolio may be done either before or along with or after the process of hedging of the Defaulter's Portfolio. Each such split portfolio shall be referred to as an Auction Pool/ Bucket.
4. Restoration of a 'matched book'
   a) On declaration of a Default in terms of Regulation A above, if the Clearing Corporation determines that in respect of the Trades cleared by the Corporation, it is exposed to the risk that its obligations to some Members will not be matched by corresponding obligations by remaining Members to it, then the Clearing Corporation shall be deemed to be having an unmatched book and shall be required to take any/all of the steps listed in Regulation (b) to (e) below.
   b) The Clearing Corporation, in consultation with the DMC, may transfer the defaulter's positions including the hedge transactions to one / more non-defaulting Members at a price acceptable to the Clearing Corporation or / and at prices arrived by conducting one or more Auctions.
   c) An Auction in terms of Regulation (b) above shall be for the entire Defaulter's Portfolio or for various Auction Pools and may involve multiple Auction rounds. The Clearing Corporation in consultation with the Default Management Committee shall determine the Reserve Price, acceptable to it for the entire portfolio of the Defaulter or Reserve Price in respect of each Auction Pool.
   d) The Clearing Corporation shall conduct a Single unit Auction or Multi-unit Discriminatory Price Auction, in such mode as prescribed by the Clearing Corporation. Clearing Corporation may allow a Constituent (other than Constituent of the defaulter Clearing Member) to participate in an auction by submitting a bid through its Clearing Member. The details of the auction scheme shall be as notified by the Clearing Corporation from time to time.
   e) In case, the Clearing Corporation is not able to restore a Matched Book by the above process, it may then, in consultation with the DMC, use one or both of the following measures for matched book restoration:
      - Allocation of positions to any non-defaulting Member(s) / its Constituents regardless of whether such Member(s) has (have) positions opposite or related to those in the Auction Pool(s).

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

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

g) The Clearing Corporation may permit to port the trades and associated margins of the Constituents of the defaulting Clearing Member to another Clearing Member(s). The time period allowed for porting will be notified by Clearing Corporation. In the interim, till the trades are ported to a new Clearing Member, the Constituent may be treated as an interim Self- Clearing Member for the limited purpose of completion of the porting requirement. Such Self-Clearing Member status per se will not entitle the Constituents to any rights of a Self-Clearing Member admitted in normal course. Provided however that, the interim Self Clearing Member during such notified interim period shall be subject to the provisions of Chapter IX, "Default Fund" of these Regulations and shall be required to contribute to the Default Fund such amount as may be advised by Clearing Corporation.

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

5. Assessment Calls

a) In terms of sub-Regulation J(iii) of Chapter IX of these Regulations, if, for a benchmark, the losses incurred by the Clearing Corporation in restoration of the Matched Book following a Member Default exceed that of the total available Prefunded Default Handling Resources for that benchmark, the Clearing Corporation shall make Assessment Calls for replenishment of default fund, to the non-defaulting Members of this segment availing clearing services for rupee derivative trades (including FRAs) referenced to the concerned benchmark.

Such Assessment Calls shall be made in terms of the provisions of Regulation A of Chapter IX of the Rupee Derivatives (Guaranteed Settlement) Segment Regulations. Assessment Calls made for MIBOR & MIOIS Default Fund shall be independent of the

Assessment Calls made for MMFOR Default Fund. The determination of the losses and the Prefunded Default Handling Resources considered for the purpose of making such Assessment Calls shall also be processed separately for Trades referenced to the respective benchmarks (i.e. Trades referenced to MIBOR and MIOIS benchmarks may be processed separately *viz-a-viz* the Trades referenced to MMFOR benchmarks).

b) The Clearing Corporation shall make such Assessment Calls on one or more occasions during the default handling period based on its assessment of the resources required for default management.

c) The Assessment Calls shall be made to non-defaulting Members in proportion to their respective default fund contribution requirements to the concerned Default Fund at the time of handling such Default and the same have to be met only in cash.

d) Inability of a Member to meet the Assessment Calls shall be deemed to be an action preventing the Clearing Corporation from returning to the Matched Book and shall result in the Clearing Corporation initiating appropriate actions against such Member which could include allocation of portions of defaulter's portfolio, or tearing up its portfolio, partly or completely, and appropriating its margin resources.

6. Appropriation of Losses

Following the restoration of the Matched Book, the Clearing Corporation shall determine the total losses resulting from the Default Handling Process. These losses may include the losses on the non-ported portfolio of the constituents of the defaulting Clearing Member. In the event Defaulter's Portfolio was split into Multiple Auction Pools/Buckets, then the resources shall be allocated to each bucket in proportion to the losses in the Buckets. The losses corresponding to each Auction Pool/Bucket shall be appropriated in the order mentioned in Regulation I(i) of Chapter IX of these Regulations. Where losses are required to be appropriated from the default fund contributions of non-defaulting Members in terms of Regulation I(i)(d) of chapter IX of these Regulations, then such appropriation will be in accordance with the Juniorisation scheme as notified by Clearing Corporation from time to time. For each Default Fund maintained under this Segment as specified in Regulation A of Chapter IX of these Regulations, the determination of losses, process of appropriation of such losses and the determination of rankings as per the Juniorisation scheme shall be carried out separately.

Provided, however, if losses are required to be appropriated from the default fund contribution of non-defaulting Members in terms of Regulation I(i)(f) of Chapter IX of

these regulations, then such appropriation will be done in proportion of their required contributions to the default fund at the time of handling such Default.

7. Settlement of obligations arising out of Auction(s) or allocation(s) in terms of sub-Regulation (4)(b) and Sub-regulation (4)(e)

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

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

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

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

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

b) The resultant increase in settlement, margin and Default Fund obligations shall be assumed by the respective Members / Clearing Members from the date of the booking of these contracts.

9. Return of excess Margin to Constituents

Clearing Corporation shall assess the utilization of the Margins posted on account of the constituents after Porting and / or Close-Out of the Constituent's Trades. The unutilized Margins from the margins posted by the Constituent with the Clearing Member will be returned by the Clearing Corporation to the Constituents at the end of the default management period.

10. Charges **and Penalties**

If Clearing Corporation resorts to the provisions of the sub-Regulation 1 to 9, the Defaulter Member shall also be liable to pay charges and penalties as notified by Clearing Corporation from time to time.

F. Members Duty to Inform

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

(i) The Constituent has failed to provide the margin requested by its Clearing Member; or

(ii) The Constituent has failed to deliver any amount due by it to the Clearing Member on account of or in relation to Constituent Trades or

(iii) an event of Default has occurred in respect of the Constituent under the terms of the Agreement between the Clearing Member and its Constituent.

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

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

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

G. DEFAULT OF CLEARING CORPORATION:

1. In the event Clearing Corporation fails to fulfill any settlement related obligation to any non-defaulting counterparty, even after the expiry of 30 (thirty) business days from the date of the payment / delivery falling due and an intimation being sent by the counterparty in this regard to Clearing Corporation or in the event RBI cancels CCIL's Payment System License or issues a notice for such cancellation thereto, a non-defaulting counterparty may, by notice in writing to the Clearing Corporation not later than 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 and its Constituents or (b) close out all Outstanding Trades in the segment.

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

3. The termination amount shall be settled by the close of business on the business day following the day of termination or as soon as possible thereafter. Any non-recovery of termination amount from any of the member within this period will be considered as a Default by the member and shall be handled in terms of provisions of Chapter VII Default & Chapter IX Default Fund of these Regulations.
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

The provisions of this chapter shall be applicable only to Members of Rupee Derivatives (Guaranteed Settlement) Segment.

A) SCOPE

1) This Chapter outlines the risk management process of Clearing Corporation for its Rupee Derivatives Segment. Clearing Corporation may, after due notification, change its risk management processes relating to its risk containment measures from time to time.
2) Clearing Corporation shall cover its risk through prescription of initial margin (including spread margin), mark to market margin, volatility margin and concentration margin;
3) The Initial Margin on the outstanding trades of the Members / its Constituent(s) shall be computed based on Portfolio Value at Risk for such portfolios of outstanding trades comprising of trades accepted for guaranteed settlement. Such amount shall be supplemented by recovery of an additional amount as spread margin. Clearing Corporation may, however, after due notification, set certain pre-specified minimum level for Initial Margin. Clearing Corporation may collect higher initial margin on the trades of the Constituents. Marking to market of outstanding trades shall also be carried out to capture risks from notional loss in the outstanding trade portfolios of the Members;
4) Clearing Corporation, after due notification, may set different margins for different Members including its Constituent(s), based on the ratings/gradings assigned to the Members on the basis of certain financial parameters including net worth, asset quality etc. as are considered necessary by Clearing Corporation from time to time.

   Clearing Corporation may take the assistance of any reputed Rating Agency for arriving at such ratings and the decision of Clearing Corporation in regard to the selection of agency or in regard to the ratings arrived at for the Members shall be final and binding on the Members. Notwithstanding the credit rating/grading, Clearing Corporation may hike margins in case of any regulatory actions/deterioration in financial position/adverse market report etc.
5) Clearing Corporation may, after due notification, set limit for each Member / its Constituent in terms of its aggregate outstanding trade exposure of the Member / its Constituent (in terms of total volume of outstanding trades or otherwise, as may be notified 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 are considered appropriate by Clearing Corporation. In the event of any Member / Constituent exceeding such limit,

Clearing Corporation may set higher margin for such Member, for all trades or for all trades of the type in which limit has been exceeded.

Clearing Member may, under advice to Clearing Corporation, set limits for each of its Constituent(s) in terms of such Constituent's aggregate outstanding trades.

6) Mark to Market (MTM) margins shall be collected based on aggregate mark to market loss for the trades with each benchmark (e.g. MIBOR, MMFOR etc.) as reference rate for floating leg. Set offs may usually be allowed between profits and losses on trades in the same benchmark. The process of allowing set offs shall be notified by Clearing Corporation from time to time.

7) Such MTM margin shall be computed using the implied swap zero curves for the respective benchmarks, based on applicable Swap rates prevailing at the time of such computation. Clearing Corporation shall be entitled to use such swap rates for mark to market margin computation as it considers reasonable.

B) MARK-TO-MARKET RATES

i) Benchmark and swap rates for pre-specified tenors from pre-specified sources shall be taken as basis. Swap rates for other tenors shall be arrived at through interpolation/ extrapolation.

Implied swap zero rates shall be arrived at for each benchmark. Zero rates so arrived shall be treated as mid-rates which may then be adjusted for bid-offer spreads. For adjusting bid-offer spreads, floating leg cash flows of the Members shall be valued using lower rates for the buyer of the swaps (i.e. fixed leg payer) and using higher rates for the seller of the swaps (i.e. float leg payer). Clearing Corporation shall notify the rates to be used for adjusting bid-offer spread.

C) PROCESS

1. Initial Margin

1.1. The initial margin obligation of a Member / its Constituent in respect of its outstanding trades including Constituent(s) Trades shall be computed based on the Portfolio Value at Risk (VaR) for all outstanding IRS and FRA contracts using such model as Clearing Corporation may deem appropriate. Trades settled on separate benchmark shall be grouped separately for arriving at such VaR and no set offs may normally be allowed between trades on separate benchmarks. No setoffs shall also be allowed between the types of trades which

are likely to be very illiquid. The details of the model used may be notified by the Clearing Corporation from time to time. The margin shall be computed separately for Proprietary Trades of the Clearing Member and for the trades of each of its Constituents and no off set shall be provided between the Proprietary Trades and trades of Constituents or between trades of two Constituents;

1.2. Clearing Corporation may periodically re-evaluate the model and if required, after due notification, may alter it or replace it with a different model. Clearing Corporation's decision in this regard shall be final and binding on the Members.

1.3. Initial margin shall also include an additional component known as Spread Margin in order to effect a partial disallowance of full offsets provided through computation of Portfolio VaR. The process of computation of spread margin may be notified by Clearing Corporation from time to time.

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

2. Mark to Market Margin

2.1. Members shall be liable to maintain mark to market margin for itself and its Constituents in respect of adverse positions on its outstanding trades.

2.2. All accepted outstanding IRS and FRA trades shall be re-valued at the end of the day. Such revaluation shall be carried out by estimating future cash flows for each trade and then arriving at net cash flows for future payment dates using the implied zero rates for the respective benchmark for the contract.

2.3. Net cash flows for the IRS and FRA trades shall be discounted to the date of computation. The discounted value of cash flows for an IRS or FRA trade shall be taken as its MTM value.

2.4. MTM profits or losses for all trades of a Member / its Constituent based on a benchmark shall be aggregated. The MTM profit or loss will be computed for each Member and its Constituents separately and then aggregated for each margin account. For any net loss, Member shall be required to provide MTM margin of such amount.

2.5. A Member / its Constituent's mark to market margin obligation shall be aggregate of MTM margins for all benchmarks arrived as above. Such margin amount shall be computed as at the end of each business day and shall be usually valid till its computation as at the end of the subsequent business day.

Provided that if a trade is not reported by either of the counter-party Members / its Constituents on the day of the trade or even if reported on the day of the trade, if acceptance of such a trade by Clearing Corporation is delayed to a subsequent day due to inadequacy of margin in the account of any of the counter-party Members, Clearing Corporation shall be entitled to recover Mark to Market margin for such trade before acceptance of such trade for guaranteed settlement.

Provided further that if a trade has been done by a Member / Constituent at a rate which in the opinion of Clearing Corporation is not in line with the market rate prevailing at the time of acceptance, Clearing Corporation shall be entitled to recover the notional loss computed based on such difference in rates between traded rate and market rate, from the Member / Constituent, as MTM margin, before acceptance of such trade.

3. Volatility Margin

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

4. Concentration Margin

Clearing Corporation shall impose Concentration margin on members / constituents whose exposures on account of their outstanding trades exceed some predetermined thresholds. The process followed for determining these thresholds and imposition of Concentration Margin shall be as notified by Clearing Corporation from time to time.

D) VALUATION OF SECURITIES IN MCC

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

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

3) Clearing Corporation shall, notify from time to time haircuts on the respective market values as per rates prescribed for the eligible securities from time to time;

E) MARK TO MARKET GAINS

1. In case Mark to Market value of accepted trades of a Member / its Constituent is positive, Clearing Corporation may, after due notification to members, allow such amount, net of haircut, if any, and subject to such conditions as notified by Clearing Corporation from time to time, to be treated as Margin Credit available to the Member / Constituent (s). The MTM values will be computed for each Member and its Constituents separately and then aggregated for each margin account. If such credit is allowed, Clearing Corporation shall also have the right to adjust such Margin Credit due to any revaluation of outstanding trades carried out on intra-day basis.
2. When a trade goes for settlement, any Margin Credit available there against will be withdrawn.
3. After withdrawal of such Margin Credit, if it is observed at the time of settlement of daily obligations that there is margin shortfall on account of such settlement, Clearing Corporation shall have the right to hold back settlement proceeds or block the margin of the Clearing Member to the extent of such shortfall.
4. If any Settlement proceeds are held back as per sub-Regulation E (3) above, the withheld amount would be released to the Member on replenishment of the Margin Shortfall. If the Member fails to replenish the Margin Shortfall by the time specified by Clearing Corporation from time to time, Clearing Corporation may appropriate such Settlement proceeds by credit to the MCC account.

CHAPTER IX: DEFAULT FUND

The provisions of this chapter shall be applicable only to the Members of Rupee Derivatives (Guaranteed Settlement) Segment

A. PURPOSE:

i. Clearing Corporation shall maintain two separate Default Funds in respect of its Rupee Derivatives (Guaranteed Settlement) Segment. The first (hereinafter referred to as "MIBOR & MIOIS -Default Fund") would be maintained with a view to meeting losses arising out of any Default by its Members from trades referenced to the MIBOR OR MIOIS benchmarks. The other Default Fund (hereinafter referred to as "MMFOR-Default Fund") would be maintained for meeting losses arising out of any Default by its Members from trades referenced to the MMFOR benchmarks. Losses if any on trades where both legs are referenced to the floating MIBOR or MIOIS benchmark would be met by the "MIBOR & MIOIS-Default Fund". All subsequent provisions of this Chapter shall apply to both the afore-mentioned 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 Regulation "B" above shall be determined in a manner as may be notified by Clearing Corporation from time to time.

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

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

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

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

D. COMPOSITION

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

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

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

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

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

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

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

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

E. ADMINISTRATION

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

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

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

iv. Clearing Corporation shall have the right to utilize either the cash and/or any of the securities contributed to Default Fund by any Member and held in the CSGL Account referred to in Sub–Regulation (iii) above and as per Regulation "F" of this chapter in such sequence of application as may be determined by Clearing Corporation to be appropriate. Provided however, that a shortfall, if any, in the Default Fund account of a Member at the end of the day shall be covered by Clearing Corporation in the following order:

   a. First by blocking surplus balance, if any available in any other Default Fund account of the Member with Clearing Corporation.

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

v. Such utilization of excess collateral blocked as in (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 THE MEMBERS CONTRIBUTION TO DEFAULT FUND

i. The contribution of Members to the Default Fund shall be recomputed at the end of each month or at such intervals as specified in Regulation '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 Reserve Bank of India (RBI) that the securities have been credited into the CSGL account of Clearing Corporation;

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

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

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

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

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 Chapter VII, the losses as a result of such Default shall be computed separately for the defaulter's portfolio comprising of rupee derivative trades referenced to the MMFOR benchmarks (referred to as "MMFOR losses") and that for the defaulter's portfolio comprising of rupee derivative trades referenced to the MIBOR and MIOIS benchmarks (referred to as "MIBOR & MIOIS losses"). The respective losses shall be met by Clearing Corporation by recourse to funds in the following order:

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

   b. next, by applying set-off from defaulter's own contribution to the respective Default Funds. 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 the respective 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 respective Default Funds at the time of handling such Default or if an auction has been conducted, then as per the Juniorisation scheme established for each Auction Pool in terms of the provisions of Regulation E.1(6) of Chapter VII. 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 respective Default Funds under advice to them. The price at which such security/securities is/are sold will be binding on the Members. The individual losses shall be allocated to the respective Default fund contributions of the non-defaulting 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 respective Default Fund in terms of Regulation B of this Chapter.

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

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

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

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

v. Clearing Corporation, may as per the process duly Notified in this regard, treat the Collateral available in Members' MIBOR & MIOIS-Default Fund or/and MMFOR-Default Fund 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 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' MIBOR & MIOIS-Default Fund or/and MMFOR-Default Fund 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 / resizing of the Default Fund, in terms of Regulation 'B' above of this Chapter. Shortfall, if any, in the default fund contribution of a member after such revaluation / re-sizing shall have to be replenished within such time period as may be notified by Clearing Corporation from time to time.

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

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

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

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

vi. The maximum contribution of a Member towards replenishment of its contribution to Default Fund for the Derivatives (Guaranteed Settlement) Segment in the 30 days' period immediately after the loss threshold as referred in Regulation E(1) 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 30 days.

vii. The amounts mentioned in sub-Regulation (vi) above as maximum contribution for a Member and the threshold as referred in sub-Regulation E(1) of Chapter II shall be reviewed periodically by the Clearing Corporation based on market size, volatility etc. Any change in any of the ceilings as above or in the threshold as stated above due to such review shall be effected after giving a notice of 90 days to the Members.

K. RECOVERIES FROM THE DEFAULTER

i. Any recovery from the defaulting Member, after adjusting for meeting charges/ penalties/ and any other incidental or consequential expenses shall be split in proportion of the "MMFOR losses" and "MIBOR & MIOIS losses" and shall then be accounted for individually by Clearing Corporation in the following order:

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

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

c) Next, by apportioning to the pre-funded Default Fund contributions of the non-defaulting Members to the extent utilized. If the residual amount recovered is less than the total utilized pre-funded default fund contribution of the non-defaulting Members across all Auction Pools, such residual amount shall be apportioned among such Auction Pools in the same ratio as the total non-defaulting Members' contributions were split between the pools at the time of the default handling. Within each Auction Pool, the recovered amounts will be returned to the non-defaulting Members in the reverse order of the Juniorisation scheme established for each such pool in accordance with the provisions of Regulation E.1(6) of Chapter VII. However, in case of Pools where Auction was not conducted, the recovered amount shall be returned to the non-defaulting members in proportion to the amount utilized.

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

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

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

iii. If a Member ceases to be a Member of the segment by its resignation or expulsion, Clearing Corporation shall have paramount lien to appropriate the contributions made by the Member to Default Fund first towards meeting any residual loss arising on

squaring off the trades of such Member and the balance towards recovery of monies towards dues and claims before accepting claims for refund of the contribution to the concerned Member. The refund will also be subject to Bye-laws, Rules, and Regulations of such segments of Clearing Corporation in which the Member has been admitted.

CHAPTER X: NOTICES

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

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

B) BILLS FOR FEES AND CHARGES

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

C) RECOVERY OF CHARGES

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

2. The payment of fines, penalties and/or other levies shall be payable by the Members separately as and when such a demand has been made on those Members by Clearing Corporation.

CHAPTER XII: SUDDEN EVENT HANDLING

1. Due to the occurrence of unforeseen events or circumstances leading to the declaration of an Unscheduled Holiday, Clearing Corporation shall notify the Members the procedure for processing of trades;

2. Due to the occurrence of unforeseen events or circumstances leading to the declaration of an Unscheduled Holiday, the settlement which is due to happen may be deferred and it may also be required to alter the schedules of Clearing and Settlement of Trades by the Clearing Corporation;

3. In such an eventuality, the procedures to be adopted for Clearing and Settlement of trades lying in Rupee Derivatives Segment shall be notified by Clearing Corporation;

4. Clearing Corporation shall not be held liable in the event of Force Majeure or any other unavoidable event that prevents Clearing Corporation from carrying out its duties.

CHAPTER XIII: REPORTS

1. Clearing Corporation shall notify from time to time the type of report, mode and manner of delivery/receipt of reports to/from its Members;
2. Clearing Corporation shall, at daily/monthly intervals, generate such reports as are required and place the same on its INFINET Report Server and/or web based report server to facilitate the Members to download the same;
3. Clearing Corporation shall notify from time to time, the changes, if any, in the Report formats as it may consider necessary from time to time.

CHAPTER XIV: PORTFOLIO COMPRESSION

1. Clearing Corporation may, with due notification to Members, run at periodic intervals portfolio compression exercise, referred hereinafter as Portfolio Compression Exercise, for IRS & FRA trades of Rupee Derivatives Segment.
2. The process flow for the Portfolio Compression exercise shall be as notified by Clearing Corporation from time to time.
3. Portfolio Compression is a process that facilitates a reduction in outstanding trade count and outstanding gross notional amount by fully or partially terminating redundant trades.
4. Every Member of Derivatives Segment which has opted for settlement of cash flows from its outstanding Interest Rate Swap (IRS) trades through Clearing Corporation, on a non-guaranteed basis and/or which has opted for Guaranteed Settlement and which is desirous of availing the Portfolio Compression services shall submit an application in this regard to Clearing Corporation and comply with all necessary formalities as prescribed from time to time for availing the service. Member may include trades of its Constituent(s) for the portfolio compression services.
5. The applicant, on completion of all formalities will be granted permission to participate in this exercise whenever it is conducted by Clearing Corporation.
6. The outcome of the Portfolio Compression exercise will be a set of proposals for full or partial terminations of trades, for each participant which, if effected, would reduce the number of outstanding trades and/or the outstanding notional value of the participants including the Constituent(s) portfolios while ensuring that their risk profiles remain within the defined tolerances provided by them. It involves the execution of a mathematical algorithm to arrive at the optimum solution.
7. The process to be followed for the Portfolio Compression Exercise shall be as notified from time to time by Clearing Corporation.
8. Clearing Corporation may specify the time schedule for the submission of trades and tolerances by Members for its Proprietary Trades and Constituent(s) Trades to Clearing Corporation as also for various other activities incidental to the Portfolio Compression exercise.
9. The settlement of cash flows arising out of the Portfolio Compression exercise will be carried out either as part of the daily settlement carried out by Clearing Corporation in this segment or through separate settlement process as notified. If settlement is carried out as part of daily Rupee settlement carried out by Clearing Corporation, Members with net payables on

account of compression (for its Proprietary Trades and the trades of its Constituent(s) will be required to pre-fund the same i.e. they have to credit CCIL's Settlement Account at RBI before the specified cut off time, an amount equal to 100% of the value payable, after which the settlement will be carried out in the normal course by combining the net receivable amount of the participating Members from portfolio compression with the settlement of daily cash flows.

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

CHAPTER XV: SETTLEMENT BANK

1. Clearing Corporation facilitates clearing and settlement of Rupee Derivative trades of its Members maintaining their current account with Reserve Bank of India (RBI);
2. Clearing Corporation may at its discretion appoint one or more banks as Settlement Bank, under advice to 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 Settlement Bank/s for the settlement of funds obligations in Rupee Derivative trades under these Regulations;
4. Such Member at the time of seeking Membership of the Rupee Derivatives (Guaranteed Settlement) segment shall communicate to the Clearing Corporation 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 Settlement Banks shall be required to follow for funds settlement in an orderly manner of its Members;
6. The Clearing Corporation will have the right to seek information/ explanations/ clarifications on the settlements operations of the Settlement Bank in such manner and periodicity as it may deem fit and may issue guidelines, directions and orders in respect thereof and the Settlement Bank shall comply with the same;
7. The Settlement Bank 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 , not disclose to any third party ;

   Provided, however, the Settlement Bank 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 Settlement Bank 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 by Clearing Corporation;
9. Settlement Bank shall 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. Settlement Banks shall extend to Clearing Corporation the facility of on-line monitoring of the transactions in the Settlement Account of Clearing Corporation;
13. Settlement Banks shall enable Clearing Corporation to view the balances and/or transaction details in the Settlement accounts of the members maintained with the Settlement Banks on an on-line basis. Settlement Banks shall also allow similar access to the authorised representatives of the members;
14. Settlement Banks 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. Settlement Bank 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 for pay-in instructions and vice versa for pay-out instructions. Similarly, Settlement Bank 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. Settlement Bank 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 there under;
17. In the process of funds settlement at the Settlement Bank, if there is any funds shortage arising out of settlement instructions received from Clearing Corporation, the Settlement Bank shall advise the same to Clearing Corporation and act in accordance with the instructions given by Clearing Corporation to meet such shortages;
18. The Settlement Bank 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 Settlement Bank would transmit confirmation advices to Clearing Corporation;

19. The Clearing Corporation may net Settlement Bank '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 Settlement Bank 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, Settlement Bank will receive such amount at its Current account with RBI & it will be Settlement Bank '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 Settlement Bank's Current account maintained with RBI, shall be treated as funds shortage on account of Settlement Bank and Clearing Corporation will initiate action as per Chapter VII " Settlement Shortage & Defaults" of this Regulations"; This shall be irrespective of failure to transfer funds as mentioned in Regulation 19 above or otherwise;
21. Clearing Corporation may transfer the credit balances from its settlement account with the Settlement Bank to its current account with RBI under instruction to the Settlement Bank;
22. Settlement Bank 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) norms;
23. Information relating to any change of the Settlement Bank by the Member shall be advised at least 15 days in advance by the member along with the no objection letter from the existing Settlement Bank and the concurrence from the new Designated Settlement Bank to Clearing Corporation;
24. Settlement Bank 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 Settlement Bank, 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 Settlement Bank 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 funds are appropriated by the Settlement Bank 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 Settlement Bank, either from its settlement account at RBI or from any other Settlement Bank and issued instructions to the Settlement Bank to transfer such funds to the accounts of the concerned members.

CHAPTER XVI: DEFAULT MANAGEMENT COMMITTEE

1. General provisions for Default Management Committees (DMC)

a. Default Management Committee (DMC)

A Default Management Committee (hereinafter referred to as DMC) shall be a committee as defined in Chapter VII of the Regulations of this Segment. Clearing Corporation shall establish separate Default Management Committees in its various clearing segments. Within the Rupee Derivatives Segment, Clearing Corporation may further establish one Default Management Committee for Trades referenced to MIBOR & MIOIS benchmarks and another Default Management Committee for trades referenced to MMFOR benchmark.

b. Roles and Responsibilities of the DMC

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

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

c. Eligibility criteria for DMC membership

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

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

d. Constitution of DMC

i. Clearing Corporation by Notification shall prescribe the process and constitute the DMC by nominating seven members to the DMC out of its Members. Clearing Corporation may also invite other Members to join the DMC.

ii. The Member (s) so identified shall participate in the meetings and carry out the function as specified under this Chapter

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

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

ii. The DMC Official so deputed shall:

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

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

i. DMC Members and the respective DMC Officials shall serve a term of three years from the time of constitution or deputation as the case may be. Provided however that, the DMC Official may be replaced by the DMC Member on account of transfer, retirement, resignation or any similar cause or on account of the DMC Official disqualifying under any of the criteria specified for DMC hereinabove.

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

g. Disqualification of a Member from DMC

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

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

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

h. Removal of a DMC Official by Clearing Corporation

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

i. DMC Meetings

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

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

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

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

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

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

vi. In case of DMC Meetings, where an existing DMC Member does not respond or participate, in such cases Clearing Corporation may invite some other Member of the

Segment to participate in the DMC Meeting. Member so invited shall continue until the DMC activity is completed.

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

j. Quorum

i. The quorum shall be achieved with three Members of the DMC being present.

ii. In the event, the quorum is not present for participation in the DMC Meeting so scheduled, considering the interest of the market and the sensitive and time bound nature of the activity, Clearing Corporation shall proceed with the Default Handling activity in accordance with the provisions of Chapter VII of these Regulations.

2. Voting procedures

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

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

3. Recommendations of DMC

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

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

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

4. External Experts

a. Clearing Corporation may invite external experts or external counsels to attend whole or part of the DMC meetings if the attendance of such experts/ counsels is deemed appropriate by the Clearing Corporation.
b. Such external experts, if invited to attend the DMC meeting shall have no right to vote in the meeting.

5. Confidentiality

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

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

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

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

6. Code of Conduct for DMC Member

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

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

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

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

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

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

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

h. DMC Members shall ensure the respective DMC Officials deputed by them

i. do not disclose any Confidential Information obtained by them in course of their participation in DMC activities to any third parties and

ii. do not use any Confidential Information for their own benefit or for the benefit of the institution they represent.

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

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

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

CHAPTER XVII: CONVERSION OF LEGACY MIFOR TRADES

A. RUPEE DERIVATIVES (GUARANTEED SETTLEMENT) SEGMENT

1. Clearing Corporation may, after due Notification, amend the floating leg benchmark and calculation of the floating cash flow amounts of any Trade accepted for Clearing, where such cash flow amounts are determined by reference to the MIFOR benchmark. Clearing Corporation shall take this action regardless of any fallbacks that may otherwise apply in relation to the floating leg benchmark or calculation of the floating amount pursuant to the terms agreed to by the counterparties to the Trade. For effecting such change, Clearing Corporation may cancel, amend and/or book a new Trade on behalf of the Members in a manner as may be notified.

2. The Notification shall lay down the terms on which such amendment to such floating leg benchmark shall take effect, including but not limited to:

(i) the date of the transition for the amendment or modification and the detailed process for it,

(ii) the eligible cleared Trades to which the transition applies,

(iii) the methodology for determining any amounts payable between Clearing Corporation and the Members of its Rupee Derivatives Segment as a result of this action,

(iv) the creation and acceptance of any new Trades and/or payment obligations in connection with the amendment and/or modification, and

(v) any other rights and obligations of Clearing Corporation and the Members of its Rupee Derivatives Segment in relation to this exercise.

3. The Notification shall include any other procedures or steps to be taken to give effect to the changes referred to in A(2) above, including certain operational procedures such as the recording of certain Trades in the Rupee Derivatives Segment of the Clearing Corporation to represent the original cleared Trades as amended pursuant to the floating leg benchmark conversion. These new Trade bookings shall be for operational purposes only. Where it deems appropriate, Clearing Corporation shall provide various reports reflecting these bookings.

4. Following the publication of the Notification, Clearing Corporation, shall enter into, in the name of, and on behalf of, each Member of the Rupee Derivatives Segment, one or more Trades on terms determined by the Notification;

5. Any trade entered into pursuant to A (4) above shall be bound by the provisions of these Regulations from the time of such transition.

6. The conversion may give rise to one or more payment obligations being owed by Clearing Corporation to a Member of the Rupee Derivatives Segment or by a Member of the Rupee

Derivatives Segment to Clearing Corporation hereinafter referred to as a 'Cash Compensation'. The calculation of each Cash Compensation payment and the due date for settlement of the 'Cash Compensation' in each case shall be as per the process and on the terms as set forth by Clearing Corporation in the Notification. The failure of a Member to meet the settlement obligation as aforesaid, within the specified time on its due date shall be treated as a settlement shortage under the provisions of Chapter VII of these Regulations.

B. RUPEE DERIVATIVES SEGMENT (NON-GUARANTEED SETTLEMENT)

Members availing the Non-Guaranteed Settlement under the Rupee Derivatives Segment and desirous of availing the transition facility/ framework provided by Clearing Corporation for transition from MIFOR to modified MIFOR benchmark, shall be guided by the Notification issued by Clearing Corporation in this regard.

On such transition, the Trades shall continue to be bound by the provisions of these Regulations as are applicable to Non-Guaranteed Settlement.