

NSE Clearing Limited

(Formerly known as National Securities Clearing Corporation Limited)

DEPARTMENT : CURRENCY DERIVATIVES SEGMENT

Download Ref No: NCL/CD/41544

Date : July 08, 2019

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All Members/Custodians/PCM

Sub: Facilitation of collateral movement on operationalization of interoperability

Currently, some clearing members, in a non-interoperable scenario maintain membership and collateral with multiple clearing corporations. In the interoperable scenario, every clearing member is required to choose one clearing corporation for clearing trades in a given segment; such clearing members would therefore also be required to maintain collateral with one clearing corporation for a segment. With a view to ease movement of collateral between Clearing Corporations for the clearing members, the following process has been jointly agreed between the Clearing Corporations.

The facilitation of collateral movement from Outgoing CC to Incoming CC shall be as follows:

Scope:

The collateral shifting under this mechanism would include all collateral of the concerned clearing member with the following exceptions:

1. Membership deposits as may be required by the outgoing CC
2. Collateral to the extent of existing outstanding obligations to be settled with the outgoing CC.
3. Any other obligation of the clearing member towards the outgoing CC

Process for Deposit and Release by outgoing CC

The outgoing CC will determine releasable collateral (based on the scope above) and treat all types of collateral in the following manner:

- a. Cash will be credited to the clearing bank account of concerned clearing member on the same day.
- b. Pledge in respect of securities shall be released on the same day.
- c. Government securities accepted through CSGL will be transferred back to the concerned clearing member's CSGL account on the same day.
- d. In respect of FDRs and Bank Guarantees, the outgoing CC shall provide details of all FDRs and Bank Guarantees instruments to incoming CC, on the basis of which, the incoming CC may grant exposure to the clearing member. This facility of collateral portability will be available to the clearing member till the time the maturity of the original FDR or Bank Guarantee placed with the outgoing CC; any

- new / renewed FDR or Bank Guarantee shall need to be created in favour of the incoming CC.
- e. The clearing member shall place the request for release of any FDR and / or Bank Guarantee instrument to the incoming CC for such ported collateral; and the incoming CC, shall instruct the outgoing CC to release such instrument back to the clearing member.
 - f. The clearing member who wish not to port the FDR or Bank Guarantee from Outgoing CC to Incoming CC may intimate the Outgoing CC one day before going live with interoperability.

“Incoming CC” means the designated clearing corporation by a given clearing member for a given segment.

“Outgoing CC” means the clearing corporation where a clearing member maintains a membership under the current structure but the member has not designated the CC under interoperability.

For and on behalf of
NSE Clearing Limited
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