

Annexure 2

Operational guidelines pertaining to Risk Management & Clearing and Settlement under the Interoperability framework amongst Clearing Corporations.

Security / Contract identifier

Indian Clearing Corporation Limited (ICCL) will provide Security master for Equity segment and contract master for Equity Derivatives & Currency Segment.

Security Master and Contract Master respectively shall contain information related to securities/contracts which shall be settled by ICCL for trades across Exchanges.

Securities which are traded at BSE and also traded on other Exchanges shall contain BSE Scrip code & symbol. Securities which are not traded at BSE but traded on other Exchanges will be assigned unique identifier (scrip code) and symbol which will be used in all reports and Clearing Systems of ICCL for Equity segment.

In case of Equity Derivatives and Currency Derivatives contracts which are same across Exchanges, contract token number and contract descriptor used for Trading at BSE shall be used in all reports. Contracts which are not traded at BSE however settled by ICCL, unique identifier (contract token number) and contract descriptor such as (Instrument type, Symbol, Expiry Date, Strike Price, Option Type) shall be assigned.

Kindly refer circular number 20190426-32 dated April 26, 2019, for security / contract master file format published by ICCL.

Trading member code

Trading members who are members on multiple Exchanges including BSE, the existing trading member code at BSE shall be used as a unique code. For trading members who are not registered at BSE but are clearing through ICCL will be assigned unique identifier code which shall be intimated before go-live date of interoperability.

Client codes by trading members

Trading members shall use the same client code (UCC) at all Exchanges.

Custodial participant codes

In accordance with the joint draft operating guidelines issued by Clearing Corporations, the participants to use the unique CP code (i.e. same CP code assigned to a participant across Exchanges) for settlement through Custodians.

Section A: Risk Management Framework

1. Collaterals

- a) Clearing Members/Custodians who would designate ICCL for clearing and settlement of trades for a particular respective segment under interoperability would be required to maintain the collateral with ICCL for that respective segment.
- b) There will be no change in the current Collateral framework for Equity cash, Equity Derivatives, Currency Derivatives & Debt segment will be applicable at Clearing Member (CM)/Custodian level.

2. Margins

There will be no change in the margin models or risk parameters. The Risk/Margin files provided by ICCL will contain data for securities/contracts available on all Exchanges.

3. Risk reduction mode (RRM)

As prescribed by SEBI the Members will be put on RRM at 85% collateral utilisation level. The members would be moved back to normal mode when collateral utilisation level goes below 80% for the specified segments.

4. Collateral utilisation Alerts

The alerts regarding collateral utilization including entry/exit into risk reduction/close-out mode, will be disseminated by ICCL to all Exchanges where the member is active.

5. Margin Reporting

The clearing members and trading members associated with ICCL will continue to report margin reporting for their clients based on the overall trading activity across Exchanges as per the existing mechanism for the Derivatives Segment.

Section B. Clearing & Settlement

1. Settlement Process

- a) There will be no change in the settlement process of Equity cash, Equity Derivatives, Currency Derivatives & Debt segment. Settlement will be effected in accordance with the Settlement Calendar issued by ICCL from time to time.
- b) Where ICCL is designated as the CC for the Clearing member for the respective segment, the settlement will be based on the consolidated position of the trades done by the trading members (settling through such Clearing member) across multiple Exchanges.
- c) The clearing members can continue to use their existing bank and depository accounts for settlement. Irrespective of the Exchange on which the trade has been done, the settlement type and settlement numbers issued by ICCL will be used in the EOD files for members, Depository system, reports etc.

2. Process of Early pay-in of securities/funds in Equity Cash Segment/Equity Derivatives Segment

There would be no change in the process of Early pay-in of securities (EPN) and Early pay-in of Funds (EPF) for Clearing Members & Custodian Members.

3. Confirmation of trades entered by custodial participants for Equity cash segment

Interim Model

The following interim model for Give-up/Take-up (allocation and confirmation) will be applicable for all custodial participant trades in Equity cash segment.

In the context of allocation and confirmation process in Equity cash segment;

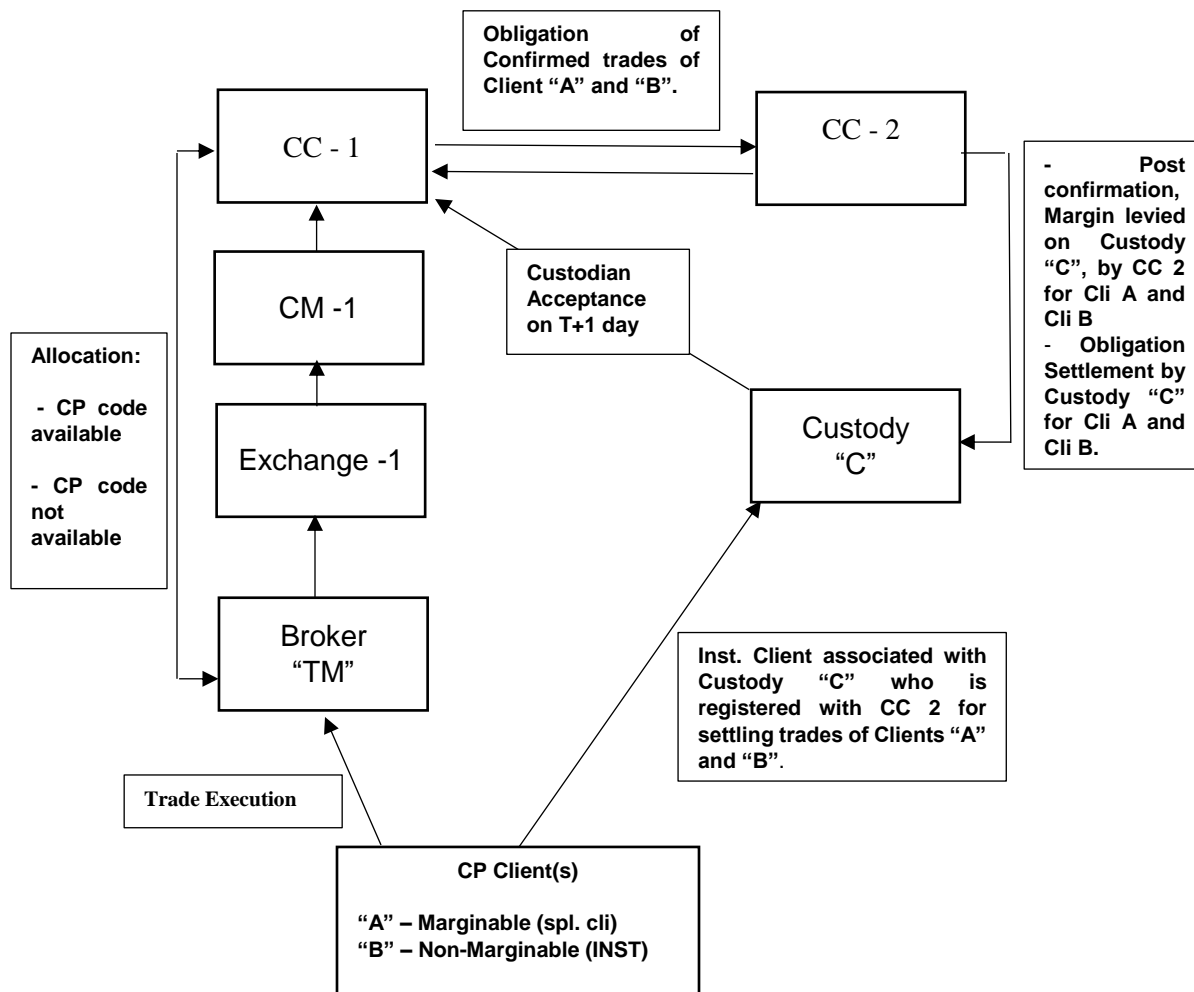
1. "Local CC" of an Exchange will mean the CC undertaking clearing and settlement for a given Exchange in the existing framework prior to implementation of CC interoperability.
2. "Designated CC of trading member" will mean the CC designated by the clearing member of a given trading member under interoperability.
3. "Designated CC of custodial participant" will mean the CC designated by the custodian of a given custodial participant under interoperability.

Under the interim model:

1. Regardless of the designated CCs of trading member or custodial participant, the allocation and confirmation process for trades executed on an Exchange will take place at the Local CC of the Exchange in accordance with its existing practices.
2. However, the levy of margin (as applicable in case of upfront marginable and non-upfront marginable custodial participants) and settlement will be performed by the members at their designated CCs.

- The role of the Local CC will be restricted to provide the facility of allocation and confirmation only; and the local CC will not be responsible for any other functions.

Data Flow for Interim Model for Allocation/Confirmation in Equity Cash Segment



4. Confirmation of trades entered by custodial participants for Equity Derivatives segment and Currency Derivatives segment

The confirmation process in Derivatives would be as under:

- a) The Exchange where the trade is executed would route the trade to the allocation CC (CC through which the clearing member of the trading member executing the trade is clearing the trades.)
- b) Allocation CC will levy margins on the CM of the executing trading member as per the current practice.
- c) Allocation CC will provide the trade information to the confirmation CC (CC through which the custodian of the custodial participant involved is clearing the trades.) for confirmation on the real-time interface between the CCs. The confirmation CC will provide the trade for confirmation to the clearing member as per existing practice.
- d) Confirmation CC will intimate the confirmation/rejection to the allocation CC. There after allocation CC will intimate the confirmation/rejection to the Exchange where the trade was executed.
- e) The present screen based facility provided through RTRMS System will be continued for confirmation of trades in Derivatives segment.
- f) Upon confirmation, the inter-CC positions and margins shall be suitably adjusted to reflect the confirmation.

5. EOD File Formats

Members may note that except the Contract Master, Trade files, Give-up/Take-up files and Early pay-in files there is no change in any other EOD files for these segments.

Circular Reference link:

<https://www.bseindia.com/markets/MarketInfo/DispNewNoticesCirculars.aspx?page=20190426-32>

6. Violations & Penalty

Existing norms & structure in respect of various fees, charges, fines and penalties etc. levied by ICCL would remain unchanged.

7. Other provisions

All other provisions issued from time to time will continue to be applicable mutatis mutandis after introduction on interoperability among clearing corporations.

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