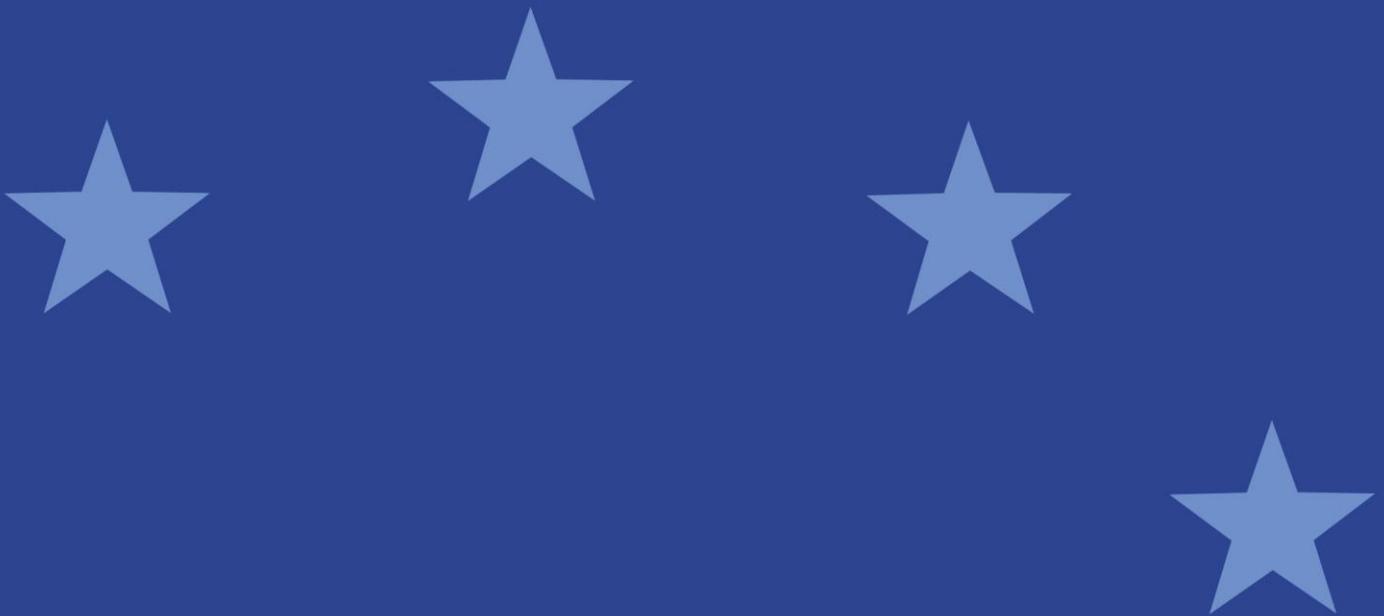




European Securities and
Markets Authority

Final report

Technical advice on third country regulatory equivalence under EMIR – India



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Key to the references and terms used in this technical advice

BSE: Bombay Stock Exchange Limited.

CCIL: Clearing Corporation of India Limited.

CCP: Central Counterparty.

CDSL: Central Securities Depository.

CSD: Central Securities Depository Services (India) Limited.

EMIR: Regulation (EU) No. 648/2012 of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories.

ESAs: European Supervisory Authorities, i.e. ESMA, EBA and EIOPA.

ESMA: European Securities and Markets Authority.

FMI: Financial market Infrastructure.

ICCL: Indian Clearing Corporation Ltd.

IOSCO: International Organization of Securities Commissions.

MCX: Multi Commodity Exchange.

MCX-SX CCL: MCX-SX Clearing Corporation Limited.

MCX-SX: MCX-Stock Exchange Limited.

NCA: National Competent Authority from the European Union.

NSCCL: National Securities Clearing Corporation Limited.

NSDL: National Securities Depository Limited.

NSE: National Stock Exchange of India Limited.

OTC: Over the Counter.

PSSA: Payment System and Settlement Act of 2007.

PFMIs: CPSS-ISOCO principles for financial market infrastructures (April 2012).

RBI: Reserve Bank of India.

RCCP: Recommendations for Central Counterparties.

RCH: Recognised Clearing Houses.



RSE: Recognised Stock Exchange.

RTGS: Real-Time Gross Settlement.

RTS: Regulatory Technical Standards.

SEBI: Securities and Exchange Board of India.

USE: United Stock Exchange of India.

Section I

Executive summary

1. The European Commission mandated ESMA on 11 October 2012 to provide it with technical advice on the equivalence between the Indian regulatory regime and different aspects of the EU regulatory regime under Regulation (EC) No. 648/2012 of the European Parliament and the Council on OTC derivatives, central counterparties (CCPs) and trade repositories (TRs).
 2. The specific area of concern was the recognition of third country CCPs.
 3. **This report sets out ESMA's advice to the European Commission in respect of the equivalence between the Indian regulatory regime and the EU regulatory regime under EMIR in respect of the recognition of third country CCPs.**
 4. The equivalence assessment conducted by ESMA follows an objective-based approach, where the capability of the regime in the third country to meet the objectives of the EU Regulation is assessed from a holistic perspective. The analysis of the differences and similarities has been conducted as factually as possible. The advice to the Commission has been based on that factual assessment but has also taken into account the analysis of the consequences for the stability and protection of EU entities and investors that an equivalence decision would have in those specific areas where the legally binding requirements are not considered equivalent.
 5. The European Commission is expected to use ESMA's technical advice to prepare possible implementing acts concerning the equivalence between the legal and supervisory framework of India under EMIR. Where the European Commission adopts such an implementing act then ESMA may recognise a CCP authorised in that third country. ESMA's conclusions in respect of this technical advice should not be seen to prejudge any final decision of the European Commission or of ESMA.
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Introduction

1. The European Commission mandated ESMA on 11 October 2012 to provide it with technical advice on the equivalence between the Indian regulatory regime and one aspect of the EU regulatory regime under EMIR. On 27 February 2013, the Commission amended the original mandate to postpone the deadlines for the delivery of the technical advice by ESMA. For India the original deadline of 15 June 2013 was changed to 15 July 2013. On 13 June 2013, the European Commission further amended the mandate to postpone the deadlines for the delivery of technical advice by ESMA and to change its scope in respect of certain jurisdictions. For India the revised deadline of 15 July 2013 was changed to 1 October 2013 (see Annex I and II).
2. The mandate on equivalence for India covers the recognition of third country CCPs.
3. **This report sets out ESMA's advice to the European Commission in respect of the equivalence between the Indian regulatory regime and the EU regulatory regime under EMIR in respect of the recognition of third country CCPs.**
4. ESMA has liaised with its counterparts in India (Reserve Bank of India and SEBI) in the preparation of this report and has exchanged materials and views on the key areas of the analysis. However, the views expressed in this report are those of ESMA and ESMA alone is responsible for the accuracy of this advice. ESMA has decided not to launch a public consultation on this advice. The advice is not about a policy option or a legislative measure that could be subject to improvement or reconsideration due to market participants' views or comments. It is a factual comparison of the respective rules of two foreign jurisdictions with the EU regime and an advice on how to incorporate these differences in a possible equivalence decision. ESMA is aware of the effects that such a decision by the Commission could have on market participants, but considers that the key element of this advice is of a factual nature, not a policy one.

Purpose and use of the European Commission's equivalence decision

5. According to Article 25(6) of EMIR, the European Commission may adopt an implementing act determining that the legal and supervisory arrangements of a third country ensure that CCPs, which are established or authorised in a specific third country, comply with legally binding requirements which are equivalent to the requirements laid down in EMIR.

CCPs

6. ESMA may recognise a CCP authorised in a third country under certain conditions. According to Article 25(2)(a) of EMIR, one of those conditions is that the Commission has adopted an implementing act in accordance with Article 25(6) of EMIR determining that the legal and supervisory regime in the country in which the CCP is authorised ensures that CCPs authorised there comply with legally binding requirements which are equivalent to those of Title IV of EMIR, that those CCPs are subject to effective on-going supervision and enforcement in the third country, and that its legal framework provides for an effective equivalent system for the recognition of CCPs authorised under the legal regime of that third country.
7. The European Commission has requested ESMA's technical advice in respect of India to prepare possible implementing acts under Article 25(6) of EMIR. **This report contains ESMA's advice in respect of India under Article 25(6) of EMIR.**

Determination of equivalence is one of a number of criteria that have to be met

8. The adoption of an implementing act by the European Commission is required to enable a third country CCP to apply to ESMA for recognition. However ESMA reiterates that this technical advice should

not be seen to prejudice the European Commission's final decision on equivalence. Furthermore, a determination of equivalence by the European Commission is just one of a number of criteria that have to be met in order for ESMA to recognise a third country CCP so that they may operate in the EU for regulatory purposes. Positive technical advice or a positive equivalence determination by the European Commission should not be understood as meaning that a third country CCP will automatically be granted recognition by ESMA. Only if all the other conditions set out in Articles 25 of EMIR are met, can a third country CCP be granted recognition¹

ESMA's Approach to assessing equivalence

9. Concerning the assessment approach taken in preparing this technical advice, ESMA has followed an objective-based approach, where the capability of the regime in the third country to meet the objectives of the EU Regulation is assessed from a holistic perspective. Annex III contains a line-by-line analysis of the differences and similarities between the requirements of the third country and those provided for in EMIR. The advice to the Commission which is set out in this section of the report has been based on that line-by-line factual assessment but takes an objective-based approach to determining whether there is equivalence between the requirements of the third country and those provided for in EMIR. In particular, the final column of the table at Annex III includes conclusions which have been drawn, on a holistic basis, for each topic. These have been drawn by taking into account the fundamental objectives that an equivalence assessment under EMIR should look at (i.e. the promotion of financial stability, the protection of EU entities and investors and the prevention of regulatory arbitrage in respect of CCPs).
10. In providing its technical advice ESMA has taken account of the following:
 - The requirements of the ESMA Regulation.
 - The principle of proportionality: that the technical advice should not go beyond what is necessary to achieve the objective of the implementing acts set out in the legislative act.
 - The objectives of coherence with the regulatory framework of the Union.
 - That ESMA is not confined to elements that should be addressed by the implementing acts but may also indicate guidelines and recommendations that it believes should accompany the delegated acts to better ensure their effectiveness.
 - The need for horizontal questions to be dealt with in a similar way to ensure coherence between different areas of EMIR.
 - The desirability that ESMA's technical advice cover the subject matters described by the delegated powers included in the relevant provisions of the legislative act and its corresponding recitals as well as in the relevant Commission's request for technical advice.
 - That ESMA should address to the Commission any question it might have concerning the clarification on the text of the legislative act.

¹ One of these requirements is that ESMA has established cooperation arrangements with the relevant competent authorities of the third country. ESMA is currently in discussions with the jurisdictions subject to this technical advice regarding such cooperation arrangements.

Section II. Technical advice on CCPs

Part I – Effective on-going supervision and enforcement

11. The securities and derivatives clearing and settlement systems in India are organised around different types of products: (i) government securities, money market instruments, and foreign exchange instruments; (ii) corporate securities and financial derivatives; and (iii) commodity derivatives. The scope of this assessment is limited to the first two sets of products. The sets are subject to different legal frameworks, different regulatory arrangements, and clearing and settlement systems are operated by different entities. The different securities and derivatives clearing and settlement systems handle a large number of transactions and are as such of systemic importance. Volumes in the derivatives segments increased strongly during the last years.
12. Government securities are cleared by the CCIL and settled in the books of the Public Debt Offices system of RBI. Money market and foreign exchange instruments are also cleared by CCIL. Cash settlement takes place in the RTGS system of the RBI. CCIL guarantees the settlement of the transactions and as such acts as CCP. RBI is the regulator and overseer for CCIL, based on the PSSA.
13. Corporate securities and financial derivatives are traded on the NSE, BSE, USE, MCX-SX, and 17 regional exchanges. Corporate securities and financial derivatives traded on the NSE are cleared by the NSCCL. Corporate securities and equity derivatives traded on the BSE are cleared by ICCL. The ICCL also clears currency derivatives traded on the USE. The transactions executed on the trading platform of MCX-SX are cleared and settled by the MCX-SX Clearing Corporation Limited (MCX-SX CCL). NSCCL, ICCL, and MCX-SX CCL act as CCP for corporate securities and derivatives. The securities leg of transactions is settled in the Depositories (NSDL and CDSL). The cash leg is settled in one of the commercial banks that act as clearing bank for the exchanges. SEBI, inter alia, is the regulator and supervisor of these exchanges, their clearing corporations and depositories.
14. The regulation and supervision of the CCPs clearing corporate securities and financial derivatives in India are under the responsibility of SEBI. SEBI was set up under SEBI Act, 1992, with a mandate to protect the interest of investors and to regulate and promote the development of the securities market. The responsibilities of SEBI are stated by law, in particular: (i) SEBI Act; (ii) the Securities Contract (Regulation) Act, 1956 (SC(R) Act); (iii) the Depositories Act, 1996; and (iv) the Companies Act, 1956 in respect of listed companies and companies proposed to be listed on RSEs. Based in such statutes SEBI regulates the public offering of equity, debt, and asset backed securities, as well as CIS and the trading of securities and derivatives in RSEs. Finally, it regulates and supervises all intermediaries in the securities market as well as infrastructures providers, including exchanges, central clearing counterparties, and central securities depositories.
15. The Ministry of Corporate Affairs and RBI have certain responsibilities in the regulation and supervision of securities markets. SEBI reviews the prospectus of listed issuers and regulates listed companies in respect of issue, transfer of securities, and non-payment of dividend. The Ministry of Corporate Affairs has authority to register and regulate all companies (except listed companies in respect of issue, transfer, and nonpayment of dividend), and it is currently the main authority in charge of reviewing the annual financial reports (including financial statements) that all companies, including listed issuers, are required to submit pursuant to the Companies Act. RBI has regulatory responsibility over contracts on government securities, gold-related securities, and money market securities (and securities derived from those securities), and repo contracts in debt securities. However, the execution of those contracts on exchanges is under the responsibility of SEBI. Several channels have been created to foster inter-agency coordination though many of them are recent developments and therefore are still evolving.

16. The RSEs play a key role in self-regulation. In India RSEs are the listing authorities and thus are in charge of monitoring issuers' compliance with disclosure obligations. Under listing agreement they also operate as the primary regulator and supervisor for brokers. Finally they are in charge of real time surveillance of the markets that they operate. In practice such functions have mainly rested with the three nationwide RSEs, the BSE, the NSE, and the MCX-SX. SEBI has established several mechanisms to ensure robust oversight of RSEs in the discharge of their self-regulatory functions. Such mechanisms include periodic reporting, regular meetings on market developments, and annual onsite inspections. More recently a committee on noncompliance with listing obligations was constituted.

ESMA's assessment

17. The supervisory and enforcement regime for CCPs in Europe envisages the establishment of colleges for CCPs. This provision introduces a certain degree of harmonisation of the practices to be followed, e.g. need for a NCA to present a risk assessment to the college and the functioning of colleges will necessarily harmonise the supervisory practices among European NCAs.
18. EMIR introduces minimum standards of supervision and enforcement among NCAs, e.g. that CCPs should be subject to on-site inspections and that NCAs have the necessary powers to take effective, proportionate and dissuasive measures against CCPs, but EMIR leaves to the Member States the duty to define those measures at national level.
19. On the basis of ESMA's experience in assessing common supervisory practices among European authorities, ESMA can conclude that these are not dissimilar to the ones applicable in India.
20. Together with assessing the soundness of the regime directly, ESMA has also relied on independent assessments carried out by the International Monetary Fund through its Financial Sector Assessment Program (FSAP). The last FSAP for India was conducted in 2012 published in January 2013 and covers both the assessment of IOSCO's objectives and principles of securities regulation (IMF Country report 12/2302) and the specific one on financial market infrastructures (IMF country report 12/2293) The FSAP therefore represents an up-to-date assessment of the India financial supervisory system. The FSAP and assessment of the aforementioned objectives, principles and recommendations are assessments of the supervisory regulations, arrangements and practices in a jurisdiction against the most relevant international standards in each field.
21. With regards to IOSCO's objectives and principles of securities regulation, the FSAP concluded that India exhibits significant progress,"in particular, the legal authority of SEBI has been strengthened and SEBI has now broad regulatory, licensing, investigation, supervision and enforcement powers. Based on such strong legal framework SEBI has also developed robust regulations for different types of market participants and RSEs. Finally, efforts made by SEBI during the last years to build a robust market surveillance system and separate investigation and enforcement departments have translated into effective enforcement of unfair trading practices, such as market manipulation and insider trading. However SEBI faces three main challenges that together impact the effectiveness of the supervisory programs for issuers and securities intermediaries: strengthening the supervision approach toward securities intermediaries; improving mechanisms to ensure compliance of issuers with reporting requirements; and mechanisms to ensure compliance with accounting and auditing requirements. An important challenge outside of the control of SEBI is criminal enforcement, which needs to be stepped up".

22. With regards to CPSS-IOSCO recommendations for securities settlement systems and central counterparties, the assessment of the Indian CCPs concluded that they observe or broadly observe the applicable recommendations even if there are improvement opportunities in the following areas: legal risk, measurement of credit exposure, financial resources, custody and settlement bank risks, default procedures, operational reliability, money settlement governance and participation requirements.
23. **Against this background ESMA advises the Commission to consider that CCPs are subject to effective supervision and enforcement in India.**

Part II - Effective equivalent system for the recognition of CCPs authorised under the legal regime of a third country

24. An equivalent system does not exist in India for the recognition of CCPs authorised under the legal regime of a third country. In India a third country CCP applying for an authorisation to the relevant Indian authorities would be submitted to the same scheme and criteria as an Indian entity requesting authorisation as a CCP. It would thus not be enabled to provide the same services in India as they are authorised to provide in the third country without going through the whole authorisation process.

Part III – Legally binding requirements which are equivalent to those of Title IV of EMIR

Jurisdictional level requirements

25. ESMA has undertaken a comparative analysis of the legally binding requirements which are applicable, at a jurisdictional level, to CCPs in India and the corresponding legally binding requirements for CCPs under EMIR. The substantive analysis is set out in Annex III.
26. As set out in the detailed analysis included in Annex III, there are a number of areas where the legally binding requirements which are applicable, at a jurisdictional level, to CCPs in India are not broadly equivalent to the legally binding requirements for CCPs under EMIR.
27. It should however be noted that ESMA's detailed analysis has been restricted to reviewing primary and secondary legislation, rules and regulations promulgated under primary and secondary legislation and legally binding documentation issued by SEBI and RBI. This is in line with the mandate given to ESMA by the European Commission.

Other legal and supervisory arrangements

28. In addition to the legally binding requirements which are applicable, at a jurisdictional level, to CCPs in India, ESMA is aware that some CCPs authorised in India might, on an individual basis, have adopted (or may in future adopt) internal policies, procedures, rules, models and methodologies, which have the effect of subjecting the CCP to standards that are broadly equivalent to the legally binding requirements for CCPs under EMIR. SEBI issued a Circular dated 4 September 2013 (in exercise of powers conferred under Section 11 (1) of the SEBI Act, 1992) under which CCPs regulated by SEBI shall be monitored and assessed against the PFMI. The RBI issued a directive to CCIL on 25 July 2013, under sections 10(2) and 18 of the PSS Act to CCIL, directing that CCIL be subjected to regulation and supervision using the PFMI and need to abide by the PFMI requirements. A statement followed on 26 July 2013 that all the CCPs it regulates are expected to comply with the PFMI. Although there are a number of requirements (highlighted in Annex III) for which no corresponding legally binding requirement that are applicable at a jurisdictional level exists in India, in view of those elements, Indian CCPs are expected to apply higher standards than the jurisdiction wide legally binding one, in order to comply with the PFMI.
29. The internal policies, procedures, rules, models and methodologies that some CCPs authorised in India might, on an individual basis, have adopted, could constitute legally binding requirements for the purposes of Article 25(6) of EMIR where (a) such internal policies, procedures, rules, models and methodologies cannot be changed without the approval or non-objection of RBI and SEBI and (b) any departure by the CCP from, or failure to implement, such internal policies, procedures, rules, models and methodologies can give rise to possible enforcement action.

30. ESMA considers that where such internal policies, procedures, rules, models and methodologies do constitute legally binding requirements in accordance with the tests set out in paragraph 29 above, then these should also be taken into account. This solution should avoid any market disruption which might occur in the absence of a recognition regime for Indian CCPs.
31. **Taking into account the legally binding requirements which are applicable, at a jurisdictional level, to CCPs in India and the other legal and supervisory arrangements present in India, ESMA advises the Commission to consider that CCPs authorised in India do comply with legally binding requirements which are equivalent to the requirements laid down in Title IV of EMIR only with respect to CCPs that have adopted internal policies, procedures, rules, models and methodologies that constitute legally binding requirements in accordance with the tests set out in paragraph 29 above and where they incorporate provisions which, on a holistic basis, are broadly equivalent to the legally binding requirements for CCPs under EMIR (i.e. where the internal policies, procedures, rules, models and methodologies include provisions which, on a holistic basis, address the gaps identified in the relevant section of the detailed analysis set out at Annex III) in the following areas:**
- (1) **Organisational requirements, including all the requirements under this section (governance, compliance, audit, etc.).**
 - (2) **Requirements for senior management and SEBI.**
 - (3) **Risk Committee requirements for CCPs under RBI supervision.**
 - (4) **Record keeping requirements.**
 - (5) **Requirements for shareholders and members with qualifying holdings for CCPs under RBI supervision.**
 - (6) **Requirements for the assessment of qualifying holdings for CCPs under RBI supervision.**
 - (7) **Conflict of interest requirements for CCPs under RBI.**
 - (8) **Business continuity requirements.**
 - (9) **Outsourcing requirements.**
 - (10) **General conduct of business requirements for CCPs under RBI supervision.**
 - (11) **Participation requirements.**
 - (12) **Transparency requirements.**
 - (13) **Segregation and portability requirements.**
 - (14) **Exposure management requirements for CCPs under RBI supervision.**
 - (15) **Margin requirements.**
 - (16) **Default fund requirements.**
 - (17) **Other financial resources requirements.**
 - (18) **Liquidity risk control requirements.**
 - (19) **Default waterfall requirements.**
 - (20) **Collateral requirements.**
 - (21) **Investment policy requirements.**

- (22) **Default procedure requirements.**
 - (23) **Review of models, stress testing and back testing requirements.**
 - (24) **Settlement requirements.**
32. **In order to achieve the fundamental objectives that an equivalence assessment under EMIR should look at in respect of CCPs (i.e. the avoidance of risk importation to the EU, the protection of EU entities and investors and the prevention of regulatory arbitrage), the solution proposed in this draft advice requires that a CCP applying for recognition under EMIR has adopted internal policies, procedures, rules, models and methodologies that address the differences identified in the final column of the table at Annex III for the areas highlighted above to abide by SEBI Circular dated 4 September 2013 or the RBI statement referred to in paragraph 28 or otherwise.**

Conclusion

- 33. ESMA advises the Commission to consider that CCPs authorised in India are subject to effective supervision and enforcement on an on-going basis.**
- 34. ESMA also advises the Commission to consider that the legal and supervisory arrangements of India ensure that CCPs authorised in India comply with legally binding requirements which are equivalent to the requirements laid down in Title IV of EMIR only with respect to CCPs that have adopted internal policies, procedures, rules, models and methodologies that constitute legally binding requirements in accordance with the tests set out in paragraph 29 above and where they incorporate provisions which, on a holistic basis, are broadly equivalent to the legally binding requirements for CCPs under EMIR in the areas set out in paragraph 31 above.**
- 35. On this basis, therefore, ESMA would only grant recognition to CCPs authorised in India which have in fact adopted internal policies, procedures, rules, models and methodologies which, on a holistic basis, incorporate provisions that are broadly equivalent to the legally binding requirements for CCPs under EMIR in the specific areas identified above and where ESMA has assessed that the relevant internal policies, procedures, rules, models or methodology do constitute a legally binding requirement in accordance with the tests set out in paragraph 29 above.**
- 36. If a CCP authorised in India that was granted recognition by ESMA subsequently made changes to its internal policies, procedures, rules, models and methodologies in a way which meant that the CCP no longer complied with standards that were broadly equivalent to the legally binding requirements for CCPs under EMIR, then that CCP would no longer qualify for recognition, and would be subject to the withdrawal of its recognition pursuant to Article 25(5) of EMIR.**
- 37. Finally, ESMA advises the Commission to consider that India does not have a specific regime for the recognition of CCPs authorised under the legal regime of a third country.**



ANNEX I – Mandate from the European Commission – 11 October 2012

FORMAL REQUEST TO ESMA FOR TECHNICAL ADVICE ON POSSIBLE IMPLEMENTING ACTS CONCERNING REGULATION 648/2012 ON OTC DERIVATIVES, CENTRAL COUNTERPARTIES AND TRADE REPOSITORIES (EMIR)

With this formal mandate the Commission seeks ESMA's technical advice to prepare possible implementing acts concerning the **equivalence** between the legal and supervisory frameworks of certain third countries and Regulation No 648/2012 of 4 July 2012 on OTC derivatives, central counterparties and trade repositories ('EMIR' or the "**legislative act**"). Any such implementing acts that may be proposed by the Commission must be adopted in accordance with Article 291 of the Treaty on the Functioning of the European Union (TFEU).

The Commission reserves the right to revise and/or supplement this formal mandate and revise the timetable if the scope is amended. The technical advice received on the basis of this mandate should not prejudice the Commission's final decision.

This mandate is based on Regulation No 1095/2010 of the European Parliament and the Council of 24 November 2010 establishing a European Securities and Markets Authority (the "**ESMA Regulation**")⁴ and Regulation (EU) No 182/2011 of the European Parliament and the Council of 16 February 2011 laying down the rules and general principles concerning mechanisms for control by Member States of the Commission's exercise of implementing powers⁵.

According to Articles 25(6) and 75(1) of the legislative act the Commission may adopt an implementing act determining that the legal and supervisory arrangements of a third country ensure that CCP's and trade repositories, which are respectively established or authorized in a specific third country comply with legally binding requirements which are equivalent to the requirements laid down in EMIR. Furthermore, according to Article 13(2) of the legislative act, the Commission may also adopt implementing acts declaring that the legal, supervisory and enforcement arrangements of a third country are equivalent to the clearing and reporting requirements laid down in EMIR (Articles 4,9,10 and 11) to avoid duplicative or conflicting rules.

The European Parliament and the Council shall be duly informed about this mandate.

In accordance with the established practice within the European Securities Committee,⁶ the Commission will continue, as appropriate, to consult experts appointed by the Member States in the preparation of these possible implementing acts.

The powers of the Commission to adopt implementing acts are subject to Articles 13(2), 25(6) and 75(1) of the Legislative act. As soon as the Commission adopts an implementing act, the Commission will notify it simultaneously to the European Parliament and the Council.

⁴ OJ L 331, 15.12.2010, p. 84 - 119.

⁵ OJ L55/13, 28.2.2011, p. 13-18

⁶ Commission's Decision of 6.6.2001 establishing the European Securities Committee, OJ L191, 17.7.2001, p.45-46.



1. Context.

1.1 Scope.

CCPs

ESMA may recognise a *CCP* established in a third country under certain conditions. According to Article 25 (2a) EMIR one of those conditions is that the Commission has adopted an implementing act in accordance with Article 25 (6) EMIR determining that the legal and supervisory regime in the country in which the CCP is established ensure that CCPs established there comply with legally binding requirements which are equivalent to those of Title IV of EMIR, that those CCPs are subject to effective ongoing supervision and enforcement in the third country, and that its legal framework provides for an effective equivalent system for the recognition of CCPs authorised under the legal regime of a third country.

Trade repositories

Trade repositories established in a third country that intend to provide services and activities must be recognized by ESMA. Such recognition also requires an implementing act of the Commission under Article 75(1) of EMIR determining that the legal and supervisory regime in the country in which the trade repository is established ensure that trade repositories authorised there comply with legally binding requirements which are equivalent to those of EMIR, that those trade repositories are subject to effective ongoing supervision and enforcement in the third country, and guarantees of professional secrecy exist that are at least equivalent to those of EMIR.

Potential duplicative or conflicting requirements on market participants

In accordance with Article 13(1) EMIR, the Commission, assisted by ESMA, must monitor, prepare reports and recommend possible action to the European Parliament and the Council on the international application of the clearing and reporting obligations, the treatment of non-financial undertakings and the risk mitigation techniques for OTC trades that are not cleared by a CCP, in particular with regard to potential duplicative or conflicting requirements on market participants.

The Commission may adopt implementing acts declaring that the legal, supervisory and enforcement arrangements of a third country are equivalent to the respective requirements in EMIR, ensure an equivalent protection of professional secrecy, and are being applied in an equitable and non-distortive manner so as to ensure effective supervision and enforcement in that third country. An implementing act adopted by the Commission declaring that the above-mentioned conditions have been fulfilled for a third country shall imply, according to Article 13(3), that if at least one of the counterparties entering into an OTC derivatives transaction is established in that third country and the contract is subject to EMIR, the counterparties will be deemed to have fulfilled the requirements of EMIR.

1.2 Principles that ESMA should take into account.

In providing its technical advice ESMA is invited to take account of the following principles:

- It should respect the requirements of the ESMA Regulation, and, to the extent that ESMA takes over the tasks of CESR in accordance with Art 8(1)(1) of the ESMA Regulation,

take account of the principles set out in the Lamfalussy Report⁷ and those mentioned in the Stockholm Resolution of 23 March 2001⁸.

- The principle of proportionality: the technical advice should not go beyond what is necessary to achieve the objective of the implementing acts set out in the legislative act.
- While preparing its advice, ESMA should seek coherence within the regulatory framework of the Union.
- In accordance with the ESMA Regulation, ESMA should not feel confined in its reflection to elements that it considers should be addressed by the implementing acts but, if it finds it appropriate, it may indicate guidelines and recommendations that it believes should accompany the delegated acts to better ensure their effectiveness.
- ESMA will determine its own working methods depending on the content of the provisions being dealt with. Nevertheless, horizontal questions should be dealt with in such a way as to ensure coherence between different standards of work being carried out by the various expert groups.
- ESMA should provide comprehensive technical analysis on the subject matters described below covered by the delegated powers included in the relevant provision of the legislative act and its corresponding recitals as well as in the relevant Commission's request included in this mandate.
- The technical advice given by ESMA to the Commission should not take the form of a legal text. However, ESMA should provide the Commission with an "articulated" text which means a clear and structured text, accompanied by sufficient and detailed explanations for the advice given, and which is presented in an easily understandable language respecting current terminology in the Union.
- ESMA should address to the Commission any question they might have concerning the clarification on the text of the legislative act, which they should consider of relevance to the preparation of its technical advice.

2. Procedure.

The Commission is requesting the technical advice of ESMA in view of the preparation of the possible implementing acts to be adopted pursuant to the legislative act and in particular regarding the questions referred to in section 3 of this formal mandate.

The mandate takes into account the ESMA Regulation and Regulation (EU) No 182/2011 of the European Parliament and the Council of 16 February 2011 laying down the rules and general principles concerning mechanisms for control by Member States of the Commission's exercise of implementing powers.

⁷ Final Report of the Committee of Wise Men on the Regulation of European Securities Markets, chaired by M. Lamfalussy, Brussels, 15 February 2001. (http://ec.europa.eu/internal_market/securities/docs/lamfalussy/wisemen/final-report-wise-men_en.pdf)

⁸ Results of the Council of Economics and Finance Ministers, 22 March 2001, Stockholm Securities legislation, (<http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/01/105&format=HTML&aged=0&language=EN&guiLanguage=en>).

The Commission reserves the right to revise and/or supplement this formal mandate and revise the timetable if the scope is amended. The technical advice received on the basis of this mandate will not prejudice the Commission's final decision in any way.

In accordance with established practice, the Commission may continue to consult experts appointed by the Member States in the preparation of the implementing acts relating to the legislative act.

The Commission has duly informed the European Parliament and the Council about this mandate. As soon as the Commission adopts possible delegated acts, it will notify them simultaneously to the European Parliament and the Council.

3. ESMA is invited to provide technical advice on the following issues with the following priorities.

Taking into account the existence or expected adoption of final primary and/or secondary legislation in third countries and in order to compare the provisions of EMIR to that legislation the following division and prioritisation of technical advice is required in two phases.

CCPs

ESMA is invited to provide technical advice on the legal and supervisory regime in specific third countries (specified below) applicable to CCPs and to advise whether they comply with legally binding requirements which are equivalent to those of Title IV of EMIR, that those CCPs are subject to effective ongoing supervision and enforcement in the third country, and that its legal framework provides for an effective equivalent system for the recognition of CCPs authorised under the legal regime of a third country.

The delivery of technical advice should be prioritised in two phases.

- Phase I: the USA and Japan;
- Phase II: Switzerland, Australia, Dubai, India, Singapore and Hong Kong.

Trade repositories

ESMA is invited to provide technical advice on the legal and supervisory regime in specific third countries (specified below) and to advise whether the legal and supervisory regime in the country in which the trade repository is established ensures that trade repositories authorised there comply with legally binding requirements which are equivalent to those of EMIR, that those trade repositories are subject to effective ongoing supervision and enforcement in the third country, and guarantees of professional secrecy exist that are at least equivalent to those of EMIR.

The delivery of technical advice should be prioritised in two phases.

- Phase I: the USA;
- Phase II: Hong Kong.

No further third countries are envisaged at this point in time.

Potential duplicative or conflicting requirements

ESMA is invited to provide technical advice on the legal and supervisory regime in specific third countries (specified below) and to advise whether the legal, supervisory and enforcement arrangements of a third country are equivalent to the respective requirements in EMIR, ensure an equivalent protection of professional secrecy, and are being applied in an equitable and non-distortive manner so as to ensure effective supervision and enforcement in that third country.

The determination of any such requirements and arrangements for the obligations for clearing, reporting and non-financial counterparties (Articles 4, 9 and 10 of EMIR) should be prioritised in two phases.

- Phase I: the USA and Japan;
- Phase II: Hong Kong, Switzerland, Canada and Australia.

The determination of any such requirements and arrangements for the obligations for risk mitigation techniques for OTC trades that are not cleared by a CCP (Article 11 of EMIR) should be prioritised in two phases.

- Phase I: the USA, Japan;
- Phase II: Hong Kong, Switzerland, Canada and Australia.

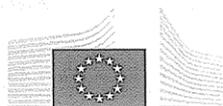
4. Indicative timetable.

This mandate takes into consideration that ESMA requires sufficient time to prepare its technical advice and that the Commission may seek to adopt any implementing acts according to Article 291 of the TFEU. The powers of the Commission to adopt implementing acts are subject to the control mechanisms for Member States laid down in Regulation 182/2011.

The deadlines set to ESMA to deliver technical advice are as follows:

- Phase I: 15 March 2013
- Phase II: within 3 months after the entry into force of the European Commission's Regulations with regard to regulatory and implementing technical standards for EMIR but at the latest by 15th June 2013.

ANNEX II – Updated mandate from the European Commission – 13 June 2013



EUROPEAN COMMISSION
Directorate General Internal Market and Services
FINANCIAL MARKETS

Director

Brussels, 13 June 2013
DG Markt/G2/MJ/kc (2013) 2224977

Mr Steven Maijoor
Chair of ESMA
ESMA
103, rue de Grenelle
75007 Paris
France

Subject: Revised request for ESMA technical advice on the equivalence between certain third country legal and supervisory frameworks and the Regulation No 648/2012 on OTC derivatives, central counterparties and trade repositories (EMIR)

Dear Mr Maijoor,

On 11th October 2012, I sent you a formal request for ESMA technical advice on the equivalence between certain third country legal and supervisory frameworks in respect of Regulation No 648/2012 on OTC derivatives, central counterparties and trade repositories (EMIR).

This request has then been subsequently amended to revise the list of countries to be considered and extend the deadline for ESMA to deliver its technical advice, with the view to better take into account on-going international discussions and developments in this area.

This technical advice is an important element for the development of European Union's policy for third countries in the field of OTC derivatives regulation. At this stage, we consider that the deadlines for the submission of ESMA technical advice need to be reviewed in order to allow ESMA more time to take account of international on-going developments and to consider their implications fully.

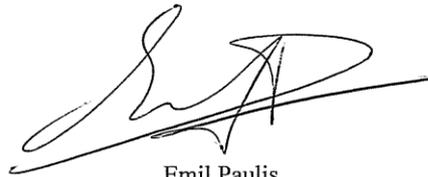
As discussed between our staff, I would therefore like to formally revise the deadlines indicated in the Commission's request for technical advice and ask ESMA to deliver its advice on Japan and the USA by 1 September 2013 and, for the remaining countries, to deliver its advice by 1 October 2013. The table in annex summarises the list of technical advice requested to ESMA, as well as their respective deadlines.

In any case, I would like to highlight that the extension of ESMA deadline to deliver its technical advice affects neither the procedure nor the timeline for recognition of third-country central counterparties or trade repositories.

In particular, as explained in our memo on the *Practical implementation of the EMIR framework to non-EU central counterparties*¹, third-country central counterparties that are currently providing services to EU clearing members should apply by 15 September 2013 in order to benefit from the transitional provisions provided by EMIR and continue providing services to EU clearing members until a decision is made by ESMA on their recognition.

In accordance with EMIR, ESMA will have 180 working days after the receipt of a complete application by a third-country CCP to make a decision on its recognition. The Commission will work in parallel to ensure the timely adoption of any equivalence decisions, as appropriate, in order to enable ESMA to adopt its recognition decision within this timeframe. I look forward to continuing working with you in close cooperation during this important work ahead.

Yours sincerely,

A handwritten signature in black ink, appearing to be "Emil Paulis", is written over a horizontal line.

Emil Paulis

Enclosures: Table on the deadlines for ESMA Technical Advice

Copies: N. Calviño

Contact:

Muriel Jakubowicz, Telephone: +32 229-58154, Muriel.Jakubowicz@ec.europa.eu

¹ http://ec.europa.eu/internal_market/financial-markets/docs/derivatives/130513_equivalence-procedure_en.pdf

13 June 2013

Deadlines for ESMA Technical Advice
In view of the European Commission's Decisions on Equivalence

Third Country	CCPs	Trade Repositories	Potential Duplicative or Conflicting Requirements
US	1 September 2013	1 September 2013	1 September 2013
Japan	1 September 2013	1 September 2013	1 September 2013
Australia	1 October 2013	1 October 2013	1 October 2013
Canada			1 October 2013
Hong Kong	1 October 2013	1 October 2013	1 October 2013
India	1 October 2013		<i>To be determined</i>
Singapore	1 October 2013	1 October 2013	<i>To be determined</i>
South Korea	1 October 2013		<i>To be determined</i>
Switzerland	1 October 2013	<i>To be determined</i>	1 October 2013
Dubai	<i>Withdrawn</i>		



ANNEX III – Legally binding requirements which are equivalent to those of Title IV of EMIR (CCP Requirements)

Description of the provision in Title IV of EMIR	Description of the corresponding Indian provisions for applicable to MSCCL, NSCCL and ICCL (SCR Regs) SEBI regime	Description of the corresponding Indian provisions applicable to CCIL RBI regime	Assessment of equivalence
<p>Organisational requirements</p> <p>A CCP must have robust governance arrangements, including a clear organisational structure with well-defined, transparent, and consistent lines of responsibility, effective processes to identify, manage, monitor and report the risks to which it is or might be exposed and adequate internal control mechanisms, including sound administrative and accounting procedures.ⁱ</p> <ul style="list-style-type: none"> • Governance arrangements. <p>A CCP must define its organisational structure as well as the policies, procedures and processes by which its board and senior management operate. These governance arrangements must be clearly specified and well-documented.ⁱⁱ They should include: (i) the composition, role and responsibilities of the board and any board committees; (ii) the roles and responsibilities of the management; (iii) the senior management structure; (iv) the reporting lines between the senior management and the board; (v) the procedures for the appointment of board members and senior management; (vi) the design of the risk</p>	<p>Organisational requirements</p> <ul style="list-style-type: none"> • Organisational structure and separation of reporting lines. <p>SECC^{xxxi}:</p> <p><u>Regulation 7 (Consideration of grant of recognition)</u></p> <p>(2) An applicant seeking recognition as a stock exchange or clearing corporation shall comply with the following conditions, namely:—</p> <p>(a) the applicant is a company limited by shares;</p> <p>(b) the applicant is demutualised;</p> <p>(c) the applicant, its directors and its shareholders who hold or intend to hold shares, are fit and proper persons as described in regulation 20;</p> <p>(d) the applicant satisfies requirements relating to ownership and governance structure specified in these regulations;</p> <p>(e) the applicant satisfies network requirements specified in these regulations;</p> <p>(f) the applicant satisfies requisite capability including its financial capacity, functional expertise and infrastructure.</p> <p>(4) An applicant seeking recognition as a clearing corporation shall, in addition to conditions as specified in sub-regulations (1) and (2), comply with the following conditions, namely:—</p> <p>(a) the applicant has necessary infrastructure to ensure timely clearing and settlement of trades;</p> <p>(b) the applicant has adequate risk management mechanism;</p> <p>(c) the applicant has a settlement procedure</p>	<p>Organisational requirements</p> <p><u>Section 7(1) of the PSS Act,</u></p> <p>The grant of authorisation to a system provider (i.e. CCIL) to operate a payment system (segments of CCIL) is subject to certain considerations. These include:</p> <ul style="list-style-type: none"> • technical standards / design and terms and conditions governing the payment system; • provision of netting of payments; • financial status and experience of management and integrity of applicant; • monetary and credit policies; and • any other factors considered relevant by RBI. <p><u>Under Section 21 of the PSS Act,</u></p> <p>Every system provider is required to disclose to existing and potential participants the terms governing the payment system and provide the copies of all relevant documents in relation to participation by a member.</p> <p><u>Regulation 7 PSS Regulations, 2008 (“PSS Regulations”)</u></p> <p>CCIL is required to conduct its audit and submit a report thereof to the RBI within 3 months.</p> <ul style="list-style-type: none"> • Governance arrangements 	<p>Organisational requirements</p> <p>SEBI - The SEBI regime for CCPs includes organisational requirements. Based on a review of the legally binding requirements which are applicable, at a jurisdictional level, to CCPs in India under SEBI’s supervision, these requirements are not equivalent to those of EMIR. However, the internal policies, procedures, rules, models and methodologies of individual CCPs, which are out of the scope of this assessment, may contain legally binding provisions equivalent to those of EMIR.</p> <ul style="list-style-type: none"> • Governance arrangements. <p>The SEBI regime does not require CCPs to define their organisational structure as well as policies, procedures and processes by which its board and senior management operate however the regime itself is very prescriptive as to the organisation of the CCPs, its boards, committees etc ... including some safeguards like the need to have enough resources or to avoid conflict of interest which can apply to case where a CCP is part of a group. All this has the same objective as EMIR provisions i.e. to ensure that the CCP is safely</p>

<p>management, compliance and internal control functions; (vii) the processes for ensuring accountability to stakeholders.ⁱⁱⁱ</p> <p>The risk management policies, procedures, systems and controls must be part of a coherent and consistent governance framework which is reviewed and updated regularly.^{iv}</p> <p>A CCP which is part of a group must consider the group's implications for its own governance arrangements, including (i) whether it has the necessary level of independence to meet its regulatory obligations as a separate legal entity, and (ii) whether its independence could be compromised by its group structure or any board members shared with other group entities.^v</p> <p>A CCP must have adequate human resources to meet all of its obligations under EMIR, and should not share such resources with other group entities, unless under the terms of an outsourcing arrangement in accordance with EMIR, Art. 35.^{vi}</p> <p>To ensure that CCPs have the necessary levels of human resources, that CCPs are accountable for their activities, and that CCPs Competent Authorities have relevant points of contact within the CCPs they supervise, all CCPs should have at least a chief risk officer, a chief compliance officer and chief technology officer, which positions must be filled by dedicated employees of the CCP.^{vii}</p> <ul style="list-style-type: none"> • Risk management and internal control mechanisms. <p>A CCP must have a sound framework</p>	<p>including netting, novation and guarantee for settlement of trades in place, which is in accordance with the manner specified by SEBI;</p> <p>(d) the applicant has the capacity to establish a fund to guarantee settlement of trades;</p> <p>(e) the applicant has necessary capability to have a wide network of clearing members and has adequate facility to admit and regulate its members;</p> <p>(f) the applicant has established connectivity with the depositories, clearing banks, stock exchange and clearing members;</p> <p>(g) the applicant has adequate systems' capacity for on-line/real time risk management of trades cleared and settled and is supported by a suitable business continuity plan including a disaster recovery site;</p> <p>(h) the applicant has in its employment, sufficient number of persons having adequate professional and other relevant experience to the satisfaction of SEBI;</p> <p>(i) the applicant has the necessary arrangements in place for resolving disputes and redressal of grievances arising out of clearing and settlement of trades;</p> <p>SECC_Circular^{xxxii}:</p> <p><u>PART - A</u> <u>RECOGNITION</u></p> <p><u>1. Stages Application for seeking recognition as a Stock Exchange/ Clearing Corporation:-</u></p> <p>1.1 An applicant seeking recognition as a clearing corporation shall substantiate its capability to fulfill all the requirements laid down under SCRA, SCRR and regulation 7 of the SECC Regulations at the time of making the application.</p> <p>1.2 Further, for the purpose of grant of in-principle approval under regulation 7(5) of the SECC Regulations, SEBI may take into account the factors which it may deem fit in the interest of the securities market. For this purpose, SEBI may consider the information and documents including but not limited to the following:-</p>	<ul style="list-style-type: none"> • Risk management and internal control mechanisms <p><u>Regulation 7 PSS Regulations, 2008 ("PSS Regulations")</u></p> <p>CCIL is required to conduct its audit and submit a report thereof to the RBI within 3 months.</p> <ul style="list-style-type: none"> • Compliance policy, procedures and Compliance function <p><u>Section 20 of the PSS Act</u></p> <p>Every system provider shall operate the payment system in accordance with the provisions of the PSS Act, the regulations, the contract governing the relation between system participants, the rules and regulations governing the payment system and conditions subject to which authorisation is issued, and any directions given by RBI from time to time.</p> <ul style="list-style-type: none"> • Organisational structure and separation of reporting lines. <p><i>No corresponding provisions.</i></p> <ul style="list-style-type: none"> • Remuneration policy <p><i>No corresponding provisions.</i></p> <ul style="list-style-type: none"> • Information technology systems <p><u>Section 7(1) of the PSS Act,</u></p> <p>The grant of authorisation to a system provider (i.e. CCIL) to operate a payment system (segments of CCIL) is subject to certain considerations. These include:</p> <ul style="list-style-type: none"> • technical standards / design and terms and conditions governing the payment system [...]; 	<p>organised to fulfill efficiently its mission.</p> <ul style="list-style-type: none"> • Risk management and internal control mechanisms. <p>The SEBI regime just includes a general requirement for CCPs to have an adequate risk management mechanism but does not have provisions on specific risks, for example liquidity providers, central securities depositories, trading venues served by the CCP or other critical service providers.</p> <p>CCPs under SEBI's supervision are not specifically required to have systems that allow clearing members or their clients to obtain information to apply their risk management policies and procedures appropriately.</p> <p>There is no requirement regarding the independence of the risk management function.</p> <ul style="list-style-type: none"> • Compliance policy, procedures and Compliance function. <p>The SEBI regime does not require a CCP to analyse potential conflicts of law.</p> <ul style="list-style-type: none"> • Organisational structure and separation of reporting lines. <p>The SEBI regime does not define the tasks and responsibilities of a CCP's board or senior management in details, including requiring it to be responsible for ensuring the consistency of a CCP's activities with the objectives and strategies determined by the board.</p>
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for the comprehensive management of all material risks, and must establish documented policies, procedures and systems and controls to identify measure, monitor and manage such risks. These must be structured to ensure that Clearing Members properly manage and contain the risks they pose to a CCP.^{viii}

A CCP must take an integrated and comprehensive view of, and ensure that its risk management tools can manage and report on, all relevant risks, including risks from and to its Clearing Members (and to the extent practicable, their clients), and risks from and to other entities including interoperable CCPs, securities settlement and payment systems, settlement banks, liquidity providers, central securities depositories, trading venues served by the CCP and other critical service providers.^{ix}

A CCP must have robust information and risk-control systems which allow the CCP and where appropriate, its Clearing Members, and to the extent practicable, their clients, to obtain timely information and apply risk management policies and procedures appropriately (including sufficient information to ensure that credit and liquidity exposures are monitored continuously at CCP-level, Clearing Member-level and, to the extent practicable, client-level).^x

A CCP must ensure that its risk management function has the necessary authority, expertise and access to all relevant information, and that it is sufficiently independent from the CCP's other functions.

- Business feasibility plan for the next five years,
- Net worth certificate/ financial books and bank account details,
- Detailed write-up on each of its functions,
- Details of authorised officials along with specimen signatures of the authorised signatories,
- Proposed organisational structure,
- Necessary undertakings,
- Manpower planning,
- Background and necessary information (as specified herein) to establish that its shareholders/promoters are fit and proper persons, Information regarding its Office set-up, Appointment of Managing Director after following due process.

1.3 Before grant of final approval, in addition to the above, the applicant should satisfy SEBI with regard to compliance of the following :

- a) Appointment of heads of key departments such as legal, listing, member registration, trading and surveillance in case of a stock exchange, and
- b) Appointment of heads of key departments such as risk, legal, clearing and settlement, in case of a clearing corporation.
- c) Satisfactory compliance with observations of SEBI during inquiry/ inspection by SEBI.
- d) Any other requirement as SEBI may deem necessary for disposal of the application.

• **Governance arrangements**

SECC^{xxvi}

Regulation 23: Composition of the governing board

- 23.** (1) The governing board of every recognised clearing corporation shall include:
- (a) shareholder directors;
 - (b) public interest directors; and,
 - (c) managing director.
- (2) Subject to prior approval of SEBI, the chair-

• **Disclosure**

Section 21(1) of the PSS Act,

Every system provider shall disclose to the existing or potential systems participants, the terms and conditions, including the charges and the limitations of liability under the payment system, supply them with copies of the rules and regulations governing the operation of the payment system, netting arrangements and other relevant documents [...]

• **Auditing**

PSS Regulations, 2008 (“PSS Regulations”)

Under Regulation 7, CCIL is required to conduct its audit and submit a report thereof to the RBI within 3 months.

• **Remuneration policy.**

SEBI's regime does not foresee that the remuneration policy should be independently audited on an annual basis.

• **Information technology systems.**

In this regard, SEBI does not make reference to complexity, variety or type of activity of the CCP, and the corresponding technical risks or to international technical standards however the CCP is required to have adequate system to ensure timely clearing and settlement of trades which is the objective of EMIR provisions.

• **Disclosure.**

CCPs under SEBI's supervision do not have specific disclosure obligation regarding collateral, haircut, default fund contribution.

• **Auditing.**

The SEBI regime does not require an independent internal audit function nor does it foresee the possibility to have event driven audit at short notice nor to have at least annual audit of a CCP's clearing operations, risk management processes, or internal control mechanisms and account however the provisions setting-up and describing the tasks of the Audit Committee have the same objective as EMIR provisions i.e. to have an efficient and independent internal audit function.

RBI - The RBI regime for CCPs includes organisational requirements. Based on a review of the legally



<p>The chief risk officer must implement the CCP's risk management framework.^{xi}</p> <p>A CCP must have adequate internal control mechanisms to assist the board in monitoring the adequacy and effectiveness of its risk management policies, procedures and systems (including sound administrative and accounting procedures, a robust compliance function and an independent internal audit function).^{xii}</p> <p>A CCP's financial statements must be prepared annually and audited by statutory auditors / audit firms within the meaning of Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts.^{xiii}</p> <ul style="list-style-type: none"> • Compliance policy, procedures and Compliance function. <p>A CCP must establish, implement and maintain adequate policies and procedures to detect any risk of failure by the CCP and its managers and employees to comply with the CCP's obligations under EMIR.^{xiv}</p> <p>A CCP must ensure that its rules, procedures and contractual arrangements are clear and comprehensive and ensure compliance with EMIR, as well as all other applicable regulatory and supervisory requirements. These rules, procedures and contractual arrangements should be accurate, up-to-date and readily available to the CCPs Competent Authority, Clearing Members and (where appropriate) Clients. A CCP</p>	<p>person shall be elected by the governing board from amongst the public interest directors.</p> <p>(4) The number of public interest directors of a recognised clearing corporation shall not be less than two-third, and shareholder directors shall not exceed one-third, of its governing board strength.</p> <p>(5) The managing director shall be an ex-officio director on the governing board and shall not be included in either the category of public interest directors or shareholder directors.</p> <p>(6) Any employee of a recognised clearing corporation may be appointed on the governing board in addition to the managing director, and such director shall be deemed to be a shareholder director.</p> <p>(7) No trading member or clearing member, or their associates and agents, shall be on the governing board of recognised clearing corporation.</p> <p>(8) At least one public interest director shall be present in the meetings of the governing board to constitute the quorum.</p> <p>(9) No foreign institutional investor shall have any representation in the governing board of a recognised clearing corporation.</p> <p><u>Regulation 24: Conditions of appointment of directors</u></p> <p>24. (1) The appointment and re-appointment of all shareholder directors on the governing board of every recognised clearing corporation shall be with the prior approval of SEBI.</p> <p>(2) The public interest directors on the governing board of the recognised clearing corporation(s) shall be nominated by SEBI.</p> <p>(3) Public interest directors shall be nominated for a fixed term of three years, or for such extended period, as may be approved by SEBI.</p> <p>(4) If any issue arises as to whether an assignment or position of a public interest director is in conflict with his role, SEBI's decision shall be final.</p> <p>(5) A public interest director may be renominated</p>		<p><i>binding requirements which are applicable, at a jurisdictional level, to CCPs in India under RBI's supervision, these requirements are not equivalent to those of EMIR. However, the internal policies, procedures, rules, models and methodologies of individual CCPs, which are out of the scope of this assessment, may contain legally binding provisions equivalent to those of EMIR.</i></p> <ul style="list-style-type: none"> • Governance arrangements. <p>The RBI regime does not require the CCPs to define their organisational structure as well as policies, procedures and processes by which its board and senior management operate. CCPs under RBI's supervision are not required to have sufficient resources (including specific human resources) to carry out its functions nor to consider any conflicts of interest. There are no specific requirements for CCPs under RBI's supervision that are part of a group notably on independence and availability of resources when shared.</p> <ul style="list-style-type: none"> • Risk management and internal control mechanisms. <p>The RBI regime does not have requirements regarding comprehensive risk management nor consideration of certain risks, for example, by interoperable CCPs, liquidity providers, central securities depositories, trading venues served by the CCP or other critical service providers. CCPs under RBI's supervision are not specifically required to have systems</p>
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<p>must have a process for proposing and implementing changes to its rules and procedures and, prior to implementing any material changes, should consult with all affected Clearing Members and submit the proposed changes to its CCPs Competent Authority.</p> <p>A CCP must identify and analyse potential conflicts of law issues and develop rules and procedures to mitigate legal risks resulting from such issues.^{xv}</p> <p>A CCP must establish and maintain a permanent and effective compliance function, which operates independently from the other functions of the CCP and has the necessary authority, resources, expertise and access to all relevant information.</p> <p>A CCP's chief compliance officer must, <i>inter alia</i>: (i) monitor the adequacy and effectiveness of a CCP's compliance policies; (ii) administer the compliance policies established by senior management and the board; (iii) report regularly to the board on compliance by the CCP and its employees with EMIR; (iv) establish procedures for the remediation of instances of non-compliance; and (v) ensure that persons involved in the compliance function do not perform the services or activities they monitor.</p> <ul style="list-style-type: none"> • Organisational structure and separation of reporting lines. <p>A CCP must define the composition, role and responsibilities of board and senior management, and any board</p>	<p>after a cooling-off period of one year or such period as SEBI may deem fit in the interest of the securities market.</p> <p>(6) Public interest directors shall be paid only sitting fees as specified in the Companies Act, 1956.</p> <p><u>Regulation 25: Appointment of managing director</u></p> <p>25. (1) The appointment, renewal of appointment and termination of service of the managing director of a recognised clearing corporation shall be subject to prior approval of SEBI.</p> <p>(2) Every recognised clearing corporation shall, subject to the guidelines issued by SEBI from time to time, determine the qualification, manner of appointment, terms and conditions of appointment and other procedural formalities associated with the selection/ appointment of the managing director.</p> <p>(3) The appointment of the managing director shall be for a tenure not less than three years and not exceeding five years.</p> <p>(4) The managing director of a recognised clearing corporation shall not—</p> <p>(a) be a shareholder or an associate of a shareholder of a recognised stock exchange or recognised clearing corporation or shareholder of an associate of a recognised stock exchange or recognised clearing corporation, as the case may be;</p> <p>(b) be a trading member or a clearing member, or his associate and agent, or shareholder of a trading member or clearing member or shareholder of an associate and agent of a trading member or a clearing member; or</p> <p>(c) hold any position concurrently in the subsidiary of a recognised stock exchange or a recognised clearing corporation, or in any other entity associated with a recognised stock exchange or a recognised clearing corporation:</p> <p>Provided that the managing director of a recognised stock exchange may be appointed on the governing board, but not as managing director, of</p>		<p>that allow clearing members or their clients to obtain information to apply their risk management policies and procedures appropriately.</p> <p>There is no requirement regarding the exercise of the risk management function.</p> <p>CCPs under RBI's supervision are required to have audits however the scope of such audits is not specified and they are to be provided to RBI and not to the board for assistance.</p> <ul style="list-style-type: none"> • Compliance policy, procedures and Compliance function. <p>CCPs under RBI's supervision only have a general obligation to operate in accordance with the applicable rules.</p> <p>CCPs under RBI's supervision are not specifically required to establish policies and procedures to detect any risk of non compliance by its managers and employees nor maintain a compliance function, operating independently from the other functions of the CCP.</p> <p>The RBI regime does not foresee the need for CCPs rules to be clear and comprehensive nor the procedure to implement changes.</p> <p>The RBI regime does not require a CCP to analyse potential conflicts of law.</p> <ul style="list-style-type: none"> • Organisational structure and separation of reporting lines. <p>The RBI regime does not define the tasks and responsibilities of a CCP's board or senior management in details, including requiring it to be responsible for ensuring the consistency of a CCP's activities with</p>
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<p>committees (including an audit committee and a remuneration committee).^{xvi}</p> <p>A CCP's board must be responsible for: (i) establishing the CCP's objectives and strategies; (ii) monitoring of senior management; (iii) establishing appropriate remuneration policies; (iv) establishment of the risk management function and oversight of the risk management, compliance, internal control and outsourcing functions; (v) oversight of compliance with EMIR; and (vi) accountability to shareholders, employees, customers and other stakeholders.^{xvii}</p> <p>A CCP's senior management must be responsible for: (i) ensuring consistency of a CCP's activities with the objectives and strategies determined by the board; (ii) designing and establishing compliance and internal control procedures promoting the CCP's objectives; (iii) regularly reviewing and testing internal control procedures; (iv) ensuring that sufficient resources are devoted to risk management and compliance; (v) the risk control process; and (vi) ensuring that risks posed to the CCP by its clearing and related activities are addressed.^{xviii}</p> <p>A CCP must maintain a clear separation between the reporting lines for risk management and those for the other operations of the CCP.^{xix}</p> <p>A CCP must have clear and direct reporting lines between its board and senior management. The reporting lines for risk management, compliance and internal audit must be clear and separate from those of a CCP's other</p>	<p>the subsidiary of a recognised stock exchange or a recognised clearing corporation, as the case may be.</p> <p>(5) The managing director shall be liable for removal or termination of services by the governing board of the recognised stock exchange or recognised clearing corporation with the prior approval of SEBI for failure to give effect to the directions, guidelines and other orders issued by SEBI, or the rules, the articles of association, by-laws and regulations of the recognised stock exchange or the recognised clearing corporation.</p> <p>(6) The SEBI may suo motu remove or terminate the appointment of the managing director if deemed fit in the interest of securities market: Provided that no managing director shall be removed unless he has been given a reasonable opportunity of being heard.</p> <p><u>Regulation 26: Code of Conduct for directors and key management personnel</u></p> <p>26. (1) Every director of a recognised clearing corporation shall abide by the Code of Conduct specified under Part– A of Schedule– II of these regulations.</p> <p>(2) Every director and key management personnel of a recognised clearing corporation shall abide by the Code of Ethics specified under Part– B of Schedule– II of these regulations.</p> <p>(3) Every director and key management personnel of a recognised clearing corporation shall be a fit and proper person as described in regulation 20.</p> <p>(4) The SEBI may, for any failure by the directors to abide by these regulations or the Code of Conduct or Code of Ethics or in case of any conflict of interest, either upon a reference from the recognised stock exchange or the recognised clearing corporation or suo motu, take appropriate action including removal or termination of the appointment of any director, after providing him a reasonable opportunity of being heard.</p>		<p>the objectives and strategies determined by the board, nor does it require a CCP's board composition and role to be defined.</p> <p>There is no requirement regarding the separation of reporting lines.</p> <ul style="list-style-type: none"> • Remuneration policy. CCPs under RBI's supervision are not required to have a remuneration policy or committee. • Information technology systems. In this regard, the RBI regime only includes a very high level legally binding requirements without reference to complexity, variety or type of activity of the CCP, and the corresponding technical risks. There is no reference to the need to be able to process all transactions before the end of the day. • Disclosure. CCIL is broadly under the same disclosure obligation but there is no reference of this disclosure being free of charge. • Auditing. In this regard, the RBI regime only makes a general reference to quarterly audits to be provided to RBI. However it does not foresee that it should be communicated to the board. The RBI regime does not require an independent internal audit function with specific tasks with an annual audit plan.
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<p>operations.^{xx}</p> <ul style="list-style-type: none"> • Remuneration policy. <p>A CCP must adopt, implement and maintain a remuneration policy which promotes sound and effective risk management and does not create incentives to relax risk standards.^{xxi} The policy must be designed, overseen and reviewed at least annually by the remuneration committee. The remuneration policy should be designed to align the level and structure of remuneration with prudent risk management, taking into account prospective risks as well as existing risks. In the case of variable remuneration, the policy must take into account possible mismatches of performance and risk periods, and ensure payments are deferred appropriately. The fixed and variable components of total remuneration must be balanced and must be consistent with risk alignment. The remuneration of staff engaged in risk management, compliance and internal audit should be independent of the CCP's business performance.^{xxii} The remuneration policy should be independently audited on an annual basis (with the results being made available to the relevant CCPs Competent Authority).^{xxiii}</p> <ul style="list-style-type: none"> • Information technology systems. <p>A CCP must maintain information technology systems which are adequate to deal with the complexity,</p>	<p><u>Regulation 28: Segregation of regulatory departments</u> 28. The recognised clearing corporation shall segregate its regulatory departments from other departments in the manner specified in Part– C of Schedule – II of these regulations.</p> <p><u>Regulation PART – C</u> [See regulation 28 as referred above] Measures to ensure segregation of regulatory departments In order to ensure the segregation of regulatory departments, every recognised clearing corporation shall adopt a "Chinese Wall" policy which separates the regulatory departments of the recognised clearing corporation from the other departments. The employees in the regulatory departments shall not communicate any information concerning regulatory activity to any one in other departments. The employees in regulatory areas may be physically segregated from employees in other departments including with respect to access controls. In exceptional circumstances employees from other departments may be given confidential information on "need to know" basis, under intimation to the Compliance Officer.</p> <p><u>Regulation 30: Advisory committee</u> 30. (1) An advisory committee shall be constituted by the governing board of every recognised clearing corporation to advise the governing board on non-regulatory and operational matters including product design, technology, charges and levies. (2) The advisory committee of a recognised clearing corporation shall comprise its clearing members. (3) The chairperson of the governing board shall be the head of the advisory committee and the managing director shall be a permanent invitee to</p>		<p>The RBI regime does not foresee the possibility to have vent driven audit at short notice nor to have at least annual audit of a CCP's clearing operations, risk management processes, or internal control mechanisms and account.</p>
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variety and type of services and activities it performs.^{xxiv} In particular, a CCP should ensure that its systems are reliable, secure and resilient (including in stressed market conditions), are scalable, and have sufficient redundancy capacity to process all remaining transactions before the end of the day in circumstances in which a major disruption has occurred.^{xxv}

A CCP must base its information technology systems on internationally recognized technical standards and industry best practices.

A CCP must maintain a robust information security framework that appropriately manages its information security risk, including policies to protect information from unauthorised disclosure, ensure data accuracy and integrity and guarantee the availability of the CCP's services.^{xxvi}

- **Disclosure.**

A CCP must make information relating to the following available to the public free of charge: (i) its governance arrangements; (ii) its rules (including default procedures, risk management systems, rights and obligations of Clearing Members and Clients, clearing services and rules governing access to the CCP (including admission, suspension and exit criteria for clearing membership), contracts with Clearing Members and Clients, interoperability arrangements and use of collateral and default fund contributions); (iii) eligible collateral and applicable haircuts; and (iv) a list of all

every meeting of the advisory committee.

(4) The advisory committee shall meet at least four times a year with a maximum gap of three months between two meetings.

(5) The recommendations of the advisory committee shall be placed in the ensuing meeting of the governing board of the recognised stock exchange or the recognised clearing corporation for consideration and appropriate decision of the governing board, and such recommendations along with the decision of the governing board on the same, shall be disclosed on their respective websites.

(6) Trading members and clearing members shall not be part of any other committee of the recognised stock exchange or the recognised clearing corporation, as the case may be.

Companies act, 1956^{xxxiii}

Section 292A

Audit Committee:

(1) Every public company having paid-up capital of not less than five crores of rupees shall constitute a committee of the board known as "Audit Committee" which shall consist of not less than three directors and such number of other directors as the board may determine of which two-thirds of the total number of members shall be directors, other than managing or whole-time directors.

(2) Every Audit Committee constituted under subsection (1) shall act in accordance with terms of reference to be specified in writing by the board.

(3) The members of the Audit Committee shall elect a chairman from amongst themselves.

(4) The annual report of the company shall disclose the composition of the Audit Committee.

(5) The auditors, the internal auditor, if any, and the director-in-charge of finance shall attend and participate at meetings of the Audit Committee but shall not have the right to vote.

(6) The Audit Committee should have discussions with the auditors periodically about internal control systems, the scope of audit including the



<p>current Clearing Members.^{xxvii}</p> <ul style="list-style-type: none"> • Auditing. <p>A CCP must be subject to frequent and independent audits, the results of which must be communicated to the board and made available to the CCP's Competent Authority.^{xxviii}</p> <p>A CCP must establish and maintain an internal audit function which is separate and independent from the other functions (including management) and reports directly to the board. Its role is to (i) establish, implement and maintain an audit plan to examine and evaluate the adequacy and effectiveness of the CCP's systems, internal control mechanisms and governance arrangements, (ii) issue recommendations based on the result of work carried out in accordance with item (i), (iii) verify compliance with those recommendations and (iv) report internal audit matters to the board.</p> <p>Internal audit must assess the effectiveness of a CCP's risk management processes and control mechanisms, in a manner proportionate to the risks faced by the different business lines.</p> <p>Internal audit assessments must be based on a comprehensive audit plan that is reviewed and reported to its CCPs Competent Authority at least annually.</p> <p>A CCP should also ensure that audits may be performed on an event-driven basis at short notice.^{xxix}</p> <p>A CCP's clearing operations, risk management processes, internal</p>	<p>observations of the auditors and review the half-yearly and annual financial statements before submission to the board and also ensure compliance of internal control systems.</p> <p>(7) The Audit Committee shall have authority to investigate into any matter in relation to the items specified in this section or referred to it by the board and for this purpose, shall have full access to information contained in the records of the company and external professional advice, if necessary.</p> <p>(8) The recommendations of the Audit Committee on any matter relating to financial management, including the audit report, shall be binding on the board.</p> <p>(9) If the board does not accept the recommendations of the Audit Committee, it shall record the reasons therefor and communicate such reasons to the shareholders.</p> <p>(10) The chairman of the Audit Committee shall attend the annual general meetings of the company to provide any clarification on matters relating to audit.</p> <p>(11) If a default is made in complying with the provisions of this section, the company, and every officer who is in default, shall be punishable with imprisonment for a term which may extend to one year, or with fine which may extend to fifty thousand rupees, or with both.]</p> <p>SECC_Circular^{xxxii}</p> <p>Statutory Committees:</p> <p>7.1 The list of mandatory committees for clearing corporations is placed under Annexure B to this circular.</p> <p>7.3 The clearing corporations shall lay down the policy for the frequency of meetings, quorum, etc., for the statutory committees. The meeting shall be conducted with at least one public interest director being present except in the case of oversight committees wherein minimum 50% of the public</p>		
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<p>control mechanisms and accounts must be subject to independent audit at least annually.^{xxx}</p>	<p>interest directors need to be present. In the case of public interest directors committee, all public interest directors shall be present.</p> <p>7.4. Independent external persons appointed to committees: The independent external persons shall be from amongst the persons of integrity, having a sound reputation and not having any conflicts of interests. They shall be specialists in the field of work assigned to the committee. The stock exchange/ clearing corporation shall frame the guidelines for appointment, tenure, code of conduct, etc., of independent external persons. Extension of the tenure may be granted at the expiry of the tenure pursuant to a review of the contribution, record of attendance at meetings, etc.</p> <p>9. Regulatory departments:-</p> <p>9.1 Regulation 28 of the SECC Regulations mandate segregation of regulatory departments from other departments. For this purpose, an indicative list of regulatory departments is given below. The governing board of the clearing corporation may specify any other department having a regulatory function in addition to the list given below as a regulatory department.</p> <p>9.3 Departments handling the following functions shall be considered as regulatory departments in a Clearing Corporation:-</p> <ul style="list-style-type: none"> a) Risk management, b) member registration, c) compliance, d) inspection, e) enforcement, f) default, g) investor protection, h) investor services, <p>9.4 The Clearing Corporation shall ensure that the regulatory departments viz., surveillance, inspection, risk management, default, investor protection, investor services etc, are sufficiently staffed with adequate</p>		
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	<p>number of persons having professional and relevant experience at all times.</p> <p>SECC^{xxx}</p> <p><u>Regulation 31</u></p> <p>31. (1) Every recognised clearing corporation shall constitute a risk management committee, comprising its public interest directors and independent external experts, which shall report to the governing board.</p> <p>(2) The risk management committee shall formulate a detailed risk management policy which shall be approved by the governing board.</p> <p>(3) The head of the risk management department shall be responsible for implementation of the risk management policy and he shall report to the risk management committee and to the managing director of the recognised clearing corporation.</p> <p>(4) The risk management committee shall monitor implementation of the risk management policy and keep SEBI and the governing board informed about its implementation and deviation, if any.</p> <p>SECC_Circular Annexure B^{xxxiv}</p> <p>13 Function of Risk Management Committee</p> <ul style="list-style-type: none"> • Formulate a detailed risk management policy which shall be approved by the governing board. • The head of the risk management department shall report to the risk management committee and to the managing director of the recognised clearing corporation. • The risk management committee shall monitor implementation of the risk management policy and keep SEBI and the governing board informed about its implementation and deviation, if any. <ul style="list-style-type: none"> • Risk management and internal control mechanisms. 		
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SECC^{xxx}

Regulation 31

31. (1) Every recognised clearing corporation shall constitute a risk management committee, comprising its public interest directors and independent external experts, which shall report to the governing board.

(2) The risk management committee shall formulate a detailed risk management policy which shall be approved by the governing board.

(3) The head of the risk management department shall be responsible for implementation of the risk management policy and he shall report to the risk management committee and to the managing director of the recognised clearing corporation.

(4) The risk management committee shall monitor implementation of the risk management policy and keep SEBI and the governing board informed about its implementation and deviation, if any.

Regulation 7 (4) of SECC: stipulates a precondition for obtaining recognition as a Clearing Corporation from SEBI. These provisions, inter alia, include:

An applicant seeking recognition as a clearing corporation shall, in addition to conditions as specified in sub-regulations (1) and (2), comply with the following conditions, namely:—

- (a) [...];
- (b) the applicant has adequate risk management mechanism;
- (c) the applicant has a settlement procedure including netting, novation and guarantee for settlement of trades in place, which is in accordance with the manner specified by SEBI;
- (d) the applicant has the capacity to establish a

fund to guarantee settlement of trades;
 (e) [...];
 (f) [...];
 (g) the applicant has adequate systems' capacity for on-line/real time risk management of trades cleared and settled and is supported by a suitable business continuity plan including a disaster recovery site;

SECC_Circular Annexure B^{xxxiv}

13 Function of Risk Management Committee

- Formulate a detailed risk management policy which shall be approved by the governing board.
- The head of the risk management department shall report to the risk management committee and to the managing director of the recognised clearing corporation.
- The risk management committee shall monitor implementation of the risk management policy and keep SEBI and the governing board informed about its implementation and deviation, if any.

Companies act, 1956^{xxxiii}

Section 292A

Audit Committee:

- (1) Every public company having paid-up capital of not less than five crores of rupees shall constitute a committee of the board known as "Audit Committee" which shall consist of not less than three directors and such number of other directors as the board may determine of which two-thirds of the total number of members shall be directors, other than managing or whole-time directors.
- (2) Every Audit Committee constituted under subsection (1) shall act in accordance with terms of reference to be specified in writing by the board.
- (3) The members of the Audit Committee shall elect a chairman from amongst themselves.
- (4) The annual report of the company shall dis-

close the composition of the Audit Committee.

(5) The auditors, the internal auditor, if any, and the director-in-charge of finance shall attend and participate at meetings of the Audit Committee but shall not have the right to vote.

(6) The Audit Committee should have discussions with the auditors periodically about internal control systems, the scope of audit including the observations of the auditors and review the half-yearly and annual financial statements before submission to the board and also ensure compliance of internal control systems.

(7) The Audit Committee shall have authority to investigate into any matter in relation to the items specified in this section or referred to it by the board and for this purpose, shall have full access to information contained in the records of the company and external professional advice, if necessary.

(8) The recommendations of the Audit Committee on any matter relating to financial management, including the audit report, shall be binding on the board.

(9) If the board does not accept the recommendations of the Audit Committee, it shall record the reasons therefor and communicate such reasons to the shareholders.

(10) The chairman of the Audit Committee shall attend the annual general meetings of the company to provide any clarification on matters relating to audit.

(11) If a default is made in complying with the provisions of this section, the company, and every officer who is in default, shall be punishable with imprisonment for a term which may extend to one year, or with fine which may extend to fifty thousand rupees, or with both.]

SEBI Circular MIRSD/DPS-III/ Cir-22 /2008^{xxxv}
 dated July 23, 2008 requires stock exchanges to carry out annual system audit and submit the

audit report to SEBI.

SEBI Circular
CIR/MRD/DMS/13/2011^{xxxvi}
dated November 29, 2011 prescribes the framework for carrying out the annual system audit.

SECC^{xxxi}
Regulation 43: Submission of annual financial statements and returns
43. (1) Every recognised clearing corporation shall furnish to SEBI its annual financial statements and returns as per rule 17 and 17A of the SCRR.
(2) The records as per sub-regulation (1) with respect to preceding financial year shall be furnished to SEBI by the thirtieth of September of every year.

- **Compliance policy, procedures and Compliance function.**

SECC^{xxxi}
Regulation 32 - Appointment of compliance officer
32. (1) Every recognised clearing corporation shall appoint a compliance officer who shall be responsible for monitoring the compliance of the Act, the Companies Act, 1956, SEBI Act, 1992, rules, regulations, or directions issued thereunder and for the redressal of investors' grievances.
(2) The compliance officer shall, immediately and independently, report to SEBI any non-compliance of any provision stated in sub-regulation (1) observed by him.

SECC^{xxxi}
Regulation 44: Bye-laws, rules, etc. of clearing corporation
44. (1) A recognised clearing corporation shall, with the previous approval of SEBI, make bye-laws for the regulation of contracts and clearing

and settlement, as the case may be, as per section 9 of the SCRA and these regulations.

(2) No memorandum of association, articles of association or any other constitution document, in so far as they relate to matters specified in section 3 of the SCRA or under these regulations and by-laws of a recognised stock exchange or a recognised clearing corporation, shall be amended except with prior approval of SEBI.

SEBI has also provided clear procedures for amending any provision under the above mentioned documents.

SECC Circular^{xxxii}
Provision 10: Procedure for submitting amendments to Articles/Rules/Byelaws/Regulations, etc. for SEBI's approval:-
 The amendments to the Memorandum, Articles of Association, Rules, bye-laws, Regulations (as may be applicable) etc., of the clearing corporation, in terms of SCRA, SCRR, other applicable provisions in this regard, shall be submitted to SEBI for approval, subsequent to the following. The proposed amendment/s shall first be approved by the governing board of the stock exchange/clearing corporation, followed by shareholders approval (wherever applicable), then published in the Gazette of India (wherever applicable) and the respective State and then shall be submitted to SEBI for approval. The proposal shall be accompanied by the minutes of the governing board, the shareholder's resolution and public criticism. However, in case the amendments are pursuant to Regulations, circular etc, issued by SEBI, the same shall not be subject to shareholder's approval.

SECC^{xxxi}
 Schedule II Part - A
 Code of conduct for directors on governing board
iv. Regulatory compliances.
 Every director of the recognised stock exchange

and recognised clearing corporation shall

- a) endeavour to ensure that the recognised stock exchange or recognised clearing corporation abides by all the provisions of the SEBI Act, 1992, Securities Contracts (Regulation) Act, 1956, rules and regulations framed thereunder and the circulars, directions issued by SEBI from time to time;
- b) endeavour compliance at all levels so that the regulatory system does not suffer any breaches;
- c) endeavour to ensure that the recognised stock exchange or recognised clearing corporation takes steps commensurate to honour the time limit stipulated by SEBI for corrective action;
- d) not support any decision in the meeting of the governing board which may adversely affect the interest of investors and shall report forthwith any such decision to SEBI.

SECC Circular^{xxxii}

Provision 11: Internal manual for conflict resolution The clearing corporation shall have an internal manual covering the management of conflicts between commercial and regulatory functions of the stock exchange/clearing corporation. The clearing corporation shall put in place a policy for comprehensive training and awareness of its employees on the various conflicts of interests involved in the functioning of its regulatory departments. Further, the entire conflict management framework shall periodically be reviewed and be strengthened based on the observations of such review.

Provision 12: Report to SEBI

The public interest directors shall identify important issues which may involve conflict of interest for the clearing corporation, may have significant impact on the functioning of SE/CC, may not be in the interest of market. The same shall be reported to SEBI.

SECC^{xxxii}

Regulation 28 - Segregation of regulatory depart-

ments
 28. The recognised clearing corporation shall segregate its regulatory departments from other departments in the manner specified in Part– C of Schedule – II of these regulations.

Regulation 32 - Appointment of compliance officer

32. (1) Every recognised clearing corporation shall appoint a compliance officer who shall be responsible for monitoring the compliance of the Act, the Companies Act, 1956, SEBI Act, 1992, rules, regulations, or directions issued thereunder and for the redressal of investors’ grievances.
 (2) The compliance officer shall, immediately and independently, report to SEBI any non-compliance of any provision stated in sub-regulation (1) observed by him.

- **Organisational structure and separation of reporting lines.**

SECC^{xxxi}

Regulation 23: Composition of the governing board

23. (1) The governing board of every recognised clearing corporation shall include:
 (a) shareholder directors;
 (b) public interest directors; and,
 (c) managing director.
 (2) Subject to prior approval of SEBI, the chairperson shall be elected by the governing board from amongst the public interest directors.
 (4) The number of public interest directors of a recognised clearing corporation shall not be less than two-third, and shareholder directors shall not exceed one-third, of its governing board strength.

Regulation 26: Code of Conduct for directors and key management personnel

26. (1) Every director of a recognised clearing corporation shall abide by the Code of Conduct specified under Part– A of Schedule– II of these regulations.

(2) Every director and key management personnel of a recognised stock exchange and a recognised clearing corporation shall abide by the Code of Ethics specified under Part– B of Schedule– II of these regulations.

(3) Every director and key management personnel of a recognised stock exchange and a recognised clearing corporation shall be a fit and proper person as described in regulation 20.

(4) The SEBI may, for any failure by the directors to abide by these regulations or the Code of Conduct or Code of Ethics or in case of any conflict of interest, either upon a reference from the recognised stock exchange or the recognised clearing corporation or suo motu, take appropriate action including removal or termination of the appointment of any director, after providing him a reasonable opportunity of being heard.

Regulation 27: Compensation and tenure of key management personnel

27. (1) A recognised clearing corporation shall constitute a compensation committee comprising a majority of public interest directors and chaired by a public interest director.

(2) The compensation committee shall determine the compensation of key management personnel in terms of a compensation policy.

(3) The compensation policy shall be in accordance with the norms specified by SEBI.

(4) The compensation payable to the managing director shall be as approved by SEBI and the terms and conditions of the compensation of the managing director shall not be changed without prior approval of SEBI.

(5) The compensation given to the key management personnel shall be disclosed in the Report of

the recognised stock exchange or recognised clearing corporation under section 217 of the Companies Act, 1956.

(6) The tenure of a key management personnel, other than a director, shall be for a fixed period, as may be decided by the compensation committee.

Regulation 28: Segregation of regulatory departments:

The recognised stock exchange and recognised clearing corporation shall segregate its regulatory departments from other departments in the manner specified in Part- C of Schedule – II of these regulations.

Part-C

Measures to ensure segregation of regulatory departments

In order to ensure the segregation of regulatory departments, every recognised stock exchange and recognised clearing corporation shall adopt a "Chinese Wall" policy which

separates the regulatory departments of the recognised stock exchange or recognised clearing corporation from the other departments. The employees in the regulatory departments shall not communicate any information concerning regulatory activity to any one in other departments. The employees in regulatory areas may be physically segregated from employees in other departments including with respect to access controls. In exceptional circumstances employees from other departments may be given confidential information on

"need to know" basis, under intimation to the Compliance Officer.

SECC_Circular^{xxxii}

Statutory Committees:

7.1 The list of mandatory committees for clearing corporations is placed under **Annexure B** to this circular.

7.3 The clearing corporations shall lay down the policy for the frequency of meetings, quorum, etc., for the statutory committees. The meeting shall be conducted with atleast one public interest director being present except in the case of oversight committees wherein minimum 50% of the public interest directors need to be present. In the case of public interest directors committee, all public interest directors shall be present.

7.4. Independent external persons appointed to committees: The independent external persons shall be from amongst the persons of integrity, having a sound reputation and not having any conflicts of interests. They shall be specialists in the field of work assigned to the committee. The stock exchange/ clearing corporation shall frame the guidelines for appointment, tenure, code of conduct, etc., of independent external persons. Extension of the tenure may be granted at the expiry of the tenure pursuant to a review of the contribution, record of attendance at meetings, etc.

SECC^{xxxi}

Regulation 31(3)

(3) The head of the risk management department shall be responsible for implementation of the risk management policy and he shall report to the risk management committee and to the managing director of the recognised clearing corporation.

• **Remuneration policy.**

Provision 8: Norms for compensation policy

8.1 Regulation 27 of the SECC Regulations mandates that the compensation policy for key management personnel of clearing corporation shall be in accordance with the norms specified by SEBI. The compensation norms, in this regard, shall be as follows:-

a) The variable pay component will not exceed one-third of total pay.

b) 50% of the variable pay will be paid on a deferred basis after three years.

c) ESOPs and other equity linked instruments in the clearing corporation will not form part of the compensation for the key management personnel.

d) The compensation policy will have malus and clawback arrangements.

8.2 Apart from the above, the compensation policy of the clearing corporation shall take into consideration the following:

- financial condition / health of the clearing corporation,
- average levels of compensation payable to employees in similar ranks,
- should not contain any provisions regarding incentives to take
- excessive risks over the short term,
- revenues, net profit of the clearing corporation,
- comparable to the industry standards,
- role and responsibilities of the key management personnel,
- periodic review

8.4 Further, at the time of seeking approval of SEBI for the appointment of the managing director, the clearing corporation shall seek approval for the compensation of the managing director from SEBI. The compensation of the Managing Director of a stock exchange already appointed with the approval of SEBI shall be in accordance with the compensation policy as mentioned above. The same shall be submitted to SEBI for approval within three months from the date of this circular.

1 A malus arrangement permits the clearing corporation to prevent vesting of all or part of the amount of a deferred remuneration.

2 A clawback is a contractual agreement between the employee and the clearing corporation in which the employee agrees to return previously paid or vested remuneration to the stock ex-

change/clearing corporation under certain circumstances.

SECC_Circular^{xxxii}

Provision 7.1 lists statutory committees for a clearing corporation (Annexure B) which includes compensation Committee responsible for laying down the policy for compensation of key management personnel in terms of the compensation norms prescribed by SEBI.

- **Information technology systems.**

SECC^{xxxii}

Regulation 7

(4) An applicant seeking recognition as a clearing corporation shall, in addition to conditions as specified in sub-regulations (1) and (2), comply with the following conditions, namely:—

- (a) the applicant has necessary infrastructure to ensure timely clearing and settlement of trades;
- (f) the applicant has established connectivity with the depositories, clearing banks, stock exchange and clearing members;
- (g) the applicant has adequate systems' capacity for on-line/real time risk management of trades cleared and settled and is supported by a suitable business continuity plan including a disaster recovery site;
- (h) the applicant has in its employment, sufficient number of persons having adequate professional and other relevant experience to the satisfaction of SEBI;

SECC Circular ^{xxxii}

Provision 7.1 lists "standing Committee on Technology as one of the statutory Committees for clearing corporations.

Standing committee on technology

1. To monitor whether the technology used by the clearing corporation remains upto date

and meets the growing demands of the markets.

2. To monitor the adequacy of systems capacity and efficiency.
3. To look into the changes being suggested by the clearing corporation to the existing software/hardware.
4. To investigate into problems of computerised Risk Management/ Clearing and Settlement System system, such as hanging/ slowdown/ breakdown.
5. To ensure that transparency is maintained in disseminating information regarding slowdown/ breakdown in Risk Management/Clearing and Settlement System.

The Committee shall submit a report to the Governing board of the clearing corporation. The board will deliberate on the report and suitable action/ remedial measure will be taken.

Any stoppage beyond five minutes will be explained and reported to the board. The Clearing corporation shall issue a press release specifying the reasons for the breakdown.

The Committee shall comprise of two outside experts proficient in technology and at least one public interest director.

SEBI Circular No. CIR/MRD/DMS/13/2011
xxvi

SEBI Circular No CIR/MRD/DMS/13/2011 dated November 29, 2011 prescribed a framework for annual system audit.

- **Disclosure.**

SECC^{xxxi}
Regulation_35: Disclosure and corporate governance norms

35. The disclosure requirements and corporate governance norms as specified for listed companies shall mutatis mutandis apply to a recognised clearing corporation.

- **Auditing.**

CCPs, being corporates, are required to appoint Statutory Auditor, as under both SEBI prescriptions and Indian Companies Act. CCPs are also required to have an Audit Committee as per Section 292A of Companies Act, 1956.

SECC^{xxxi}

Power of inspection.

Regulation 48. (1) The SEBI may at any time undertake inspection, conduct inquiries and audit of any recognised stock exchange or recognised clearing corporation, any associate of such exchange or clearing corporation, any shareholder of such stock exchange or clearing corporation or any associate and agent of such shareholder.

(2) Where an inspection under sub-regulation (1) is undertaken by SEBI, such recognised stock exchange or recognised clearing corporation or shareholder or associate and every manager, director, managing director, chairperson or officer and other employee of such recognised stock exchange, recognised clearing corporation, shareholder or associate shall co-operate with SEBI.

Companies Act, 1956^{xxxiii}

Section 292A of the AUDIT COMMITTEE]

(1) Every public company having paid-up capital of not less than five crores of rupees shall constitute a committee of the board known as "Audit Committee" which shall consist of not less than three directors and such number of other directors as the board may determine of which two-thirds of the total number of members shall be directors, other than managing or whole-time directors.

(2) Every Audit Committee constituted under subsection (1) shall act in accordance with terms of reference to be specified in writing by the board.

(3) The members of the Audit Committee shall

elect a chairman from amongst themselves.

(4) The annual report of the company shall disclose the composition of the Audit Committee.

(5) The auditors, the internal auditor, if any, and the director-in-charge of finance shall attend and participate at meetings of the Audit Committee but shall not have the right to vote.

(6) The Audit Committee should have discussions with the auditors periodically about internal control systems, the scope of audit including the observations of the auditors and review the half-yearly and annual financial statements before submission to the board and also ensure compliance of internal control systems.

(7) The Audit Committee shall have authority to investigate into any matter in relation to the items specified in this section or referred to it by the board and for this purpose, shall have full access to information contained in the records of the company and external professional advice, if necessary.

(8) The recommendations of the Audit Committee on any matter relating to financial management, including the audit report, shall be binding on the board.

(9) If the board does not accept the recommendations of the Audit Committee, it shall record the reasons therefor and communicate such reasons to the shareholders.

(10) The chairman of the Audit Committee shall attend the annual general meetings of the company to provide any clarification on matters relating to audit.

(11) If a default is made in complying with the provisions of this section, the company, and every officer who is in default, shall be punishable with imprisonment for a term which may extend to one year, or with fine which may extend to fifty thousand rupees, or with both.]

SECC^{xxxi}

Regulation 35: Disclosure and corporate governance norms

35. The disclosure requirements and corporate governance norms as specified for listed companies shall mutatis mutandis apply to a recognised clearing corporation.

SEBI Circular
SEBI/CFD/DIL/CG/1/2004/12/10 ^{xxxvii}
Listing Agreement
Clause 49
II Audit Committee
(A) A qualified and independent audit committee shall be set up
(D) Role of Audit Committee as per Corporate Governance norms for Listed Companies.

The Audit Committee will assist the board of directors in fulfilling its oversight responsibilities for:

1. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the board, the appointment, re- appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to:
 - a. Matters required to be included in the Director's Responsibility Statement to be included in the board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956
 - b. Changes, if any, in accounting policies

	<p>and practices and reasons for the same</p> <p>c. Major accounting entries involving estimates based on the exercise of judgment by management</p> <p>d. Significant adjustments made in the financial statements arising out of audit findings</p> <p>e. Compliance with legal and regulatory requirements relating to financial statements</p> <p>f. Disclosure of any related party transactions</p> <p>g. Qualifications in the draft audit report.</p> <p>5. Reviewing, with the management, the quarterly financial statements before submission to the board for approval</p> <p>6. Reviewing with the management, the statement of uses /application of funds raised through an issue (public issue, right issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and report submitted by monitoring agency monitoring the utilization of proceeds of a public or right issue, and making appropriate recommendations to the board to take up steps in this matter.</p> <p>7. Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.</p> <p>8. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.</p> <p>9. Discussion with internal auditors any significant findings and follow up there on.</p> <p>10. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to</p>		
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	<p>the board.</p> <ol style="list-style-type: none"> 11. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern. 12. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors. 13. To review the functioning of the Whistle Blower mechanism, in case the same is existing. 14. Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience & background, etc. of the candidate. 15. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee. <p>The audit committee shall have powers, which should include the following:</p> <ol style="list-style-type: none"> 1. To investigate any activity within its terms of reference. 2. To seek information from any employee. 3. To obtain outside legal or other professional advice. 4. To secure attendance of outsiders with relevant expertise, if it considers necessary. <p>The Audit Committee shall mandatorily review the following information:</p> <ol style="list-style-type: none"> 1. Management discussion and analysis of financial condition and results of operations; 2. Statement of significant related party transactions (as defined by the audit committee), submitted by management; 3. Management letters / letters of internal control weaknesses issued by the statutory auditors; 		
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	<p>4. Internal audit reports relating to internal control weaknesses; and</p> <p>5. The appointment, removal and terms of remuneration of the Chief internal auditor shall be subject to review by the Audit Committee</p> <p>SEBI Circular MIRSD/DPS-III/ Cir-22 /2008^{xxxv} dated July 23, 2008 requires stock exchanges to carry out annual system audit and submit the audit report to SEBI. SEBI Circular CIR/MRD/DMS/13/2011^{xxxvi} dated November 29, 2011 prescribes the framework for carrying out the annual system audit.</p>		
<p>Senior Management and the Board</p> <p>The senior management of a CCP must be of sufficiently good repute and have sufficient experience to ensure the sound and prudent management of the CCP.^{xxxviii}</p> <p>A CCP must have a board. At least one third, and no less than two, members of the board must be independent.^{xxxix} "Independent member" of the board means a member of the board who has no business, family or other relationship that raises a conflict of interests regarding the CCP concerned or its controlling shareholders, its management or its clearing members, and who has had no such relationship during the five years preceding his membership of the board.^{xl}</p> <p>All members of a CCP's board (including independent directors) must be of good repute and have adequate expertise in financial</p>	<p>Senior Management and the Board</p> <p>SECC^{xxxi}</p> <p>Regulation 23: Composition of the governing board.</p> <p>23. (1) The governing board of every recognised stock exchange and recognised clearing corporation shall include:</p> <p>(a) shareholder directors;</p> <p>(b) public interest directors; and,</p> <p>(c) managing director.</p> <p>(2) Subject to prior approval of SEBI, the chairperson shall be elected by the governing board from amongst the public interest directors.</p> <p>(3) The number of public interest directors shall not be lesser than the number of shareholder directors in a recognised stock exchange.</p> <p>(4) The number of public interest directors of a recognised clearing corporation shall not be less than two-third, and shareholder directors shall not exceed one-third, of its governing board strength.</p> <p>(5) The managing director shall be an ex-officio director on the governing board and shall not be</p>	<p>Senior Management and the Board</p> <p><u>Section 7(1) of the PSS Act,</u> the grant of authorisation to a system provider (i.e. CCIL) to operate a payment system (segments of CCIL) is subject to certain considerations. These include: [...]</p> <p>(vi) the financial status, experience of management and integrity of the applicant[...];</p> <p><u>RBI Instructions</u> Instructions to CCIL on number of independent directors on CCIL's board, qualification and expertise of nominee directors nominated by the shareholders, rotation policy of directors, etc.</p> <p>Total number of independent directors on its board should not be lower than total number of directors nominated by shareholders.</p>	<p>Senior Management and the Board</p> <p>SEBI - <i>The SEBI regime for CCPs includes requirements for the senior management and SEBI. Based on a review of the legally binding requirements which are applicable, at a jurisdictional level, to CCPs in India under SEBI's supervision, these requirements are not equivalent to those of EMIR. However, the internal policies, procedures, rules, models and methodologies of individual CCPs, which are out of the scope of this assessment, may contain legally binding provisions equivalent to those of EMIR.</i></p> <p>An Indian CCP under SEBI's supervision is not specifically that the board members' compensation and the one of other non-executive board members is not linked to the CCP's business performance.</p>

<p>services, risk management and clearing services.^{xli} Representatives of Clients must be invited to board meetings for matters relating to transparency and segregation requirements. The compensation of independent and other non-executive board members may not be linked to the business performance of the CCP.</p> <p>A CCP's board's roles and responsibilities should be clearly defined. Minutes of board meetings should be made available to a CCP's competent authority.^{xlii}</p> <p>A CCP's governance arrangements must ensure that the board assumes final responsibility and accountability for managing the CCP's risks. The board must define, determine and document an appropriate level of risk tolerance and risk bearing capacity; the board and senior management must ensure that the CCP's policies, procedures and controls are consistent with such levels.^{xliii}</p>	<p>included in either the category of public interest directors or shareholder directors.</p> <p>(6) Any employee of a recognised stock exchange or recognised clearing corporation may be appointed on the governing board in addition to the managing director, and such director shall be deemed to be a shareholder director.</p> <p>(7) No trading member or clearing member, or their associates and agents, shall be on the governing board of any recognised stock exchange or recognised clearing corporation.</p> <p>(8) At least one public interest director shall be present in the meetings of the governing board to constitute the quorum.</p> <p>(9) No foreign institutional investor shall have any representation in the governing board of a recognised stock exchange or a recognised clearing corporation.</p> <p>(10) Every recognised stock exchange shall ensure compliance with the provisions of this regulation within three months from the date of commencement of these regulations.</p> <p>Regulation 25(4) Appointment of managing director</p> <p>(4) The managing director of a recognised stock exchange or a recognised clearing corporation shall not—</p> <p>(a) be a shareholder or an associate of a shareholder of a recognised stock exchange or recognised clearing corporation or shareholder of an associate of a recognised stock exchange or recognised clearing corporation, as the case may be;</p> <p>(b) be a trading member or a clearing member, or his associate and agent, or shareholder of a trading member or clearing member or shareholder of an associate and agent of a trading member or a clearing member; or</p> <p>(c) hold any position concurrently in the subsidiary of a recognised stock exchange or a recognised clearing corporation, or in any other entity associated with a recognized stock exchange or a recog-</p>		<p>An Indian CCP is not specifically required to invite clients' representatives to board meetings for transparency and segregation matters but requiring public interest director has the same objective.</p> <p>The SEBI regime does not require that a CCP's board's roles and responsibilities be clearly defined.</p> <p>The SEBI regime does not specifically require that a CCP's board defines and documents an appropriate level of risk tolerance and risk bearing capacity, against which the board and senior management should gauge the CCP policies, procedures and controls. CCP's board final responsibility for managing the CCP's risks is not stated either.</p> <p><i>RBI - The RBI regime for CCPs includes requirements for the senior management and SEBI. Based on a review of the legally binding requirements which are applicable, at a jurisdictional level, to CCPs in India under RBI's supervision, these requirements are not equivalent to those of EMIR. However, the internal policies, procedures, rules, models and methodologies of individual CCPs, which are out of the scope of this assessment, may contain legally binding provisions equivalent to those of EMIR.</i></p> <p>An Indian CCP under RBI's supervision is not specifically required that independent board members' and other non-executive board members' compensation not be linked to the CCP's business performance.</p>
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nised clearing corporation:
 Provided that the managing director of a recognised stock exchange may be appointed on the governing board, but not as managing director, of the subsidiary of a recognised stock exchange or a recognised clearing corporation, as the case may be.

Regulation 26(3)
 Every director and key management personnel of a recognised clearing corporation shall be a fit and proper person as described in regulation 20.

Regulation 20: Fit and proper criteria
 20. (1) For the purposes of these regulations, a person shall be deemed to be a fit and proper person if—
 (a) such person has a general reputation and record of fairness and integrity, including but not limited to—
 (i) financial integrity;
 (ii) good reputation and character; and
 (iii) honesty;
 (b) such person has not incurred any of the following disqualifications—
 (i) the person, or any of its whole time directors or managing partners, has been convicted by a court for any offence involving moral turpitude or any economic offence or any offence against the securities laws;
 (ii) an order for winding up has been passed against the person;
 (iii) the person, or any of its whole time directors or managing partners, has been declared insolvent and has not been discharged;
 (iv) an order, restraining, prohibiting or debarring the person, or any of its whole time directors or managing partners, from dealing in securities or from accessing the securities market, has been passed by SEBI or any other regulatory authority, and a period of three years from the date of the expiry of the period specified in the

An Indian CCP under RBI's supervision is not specifically required to invite clients' representatives to board meetings for transparency and segregation matters.
 The RBI regime does not require that a CCP's board's roles and responsibilities be clearly defined nor that all minutes of CCP board meetings to be made available to the Indian authorities.
 The RBI regime does not specifically require that a CCP's board defines and documents an appropriate level of risk tolerance and risk bearing capacity, against which the board and senior management should gauge the CCP policies, procedures and controls. CCP's board final responsibility for managing the CCP's risks is not stated either.

order has not elapsed;

(v) any other order against the person, or any of its whole time directors or managing partners, which has a bearing on the securities market, has been passed by SEBI or any other regulatory authority, and a period of three years from the date of the order has not elapsed;

(vi) the person has been found to be of unsound mind by a court of competent jurisdiction and the finding is in force; and (vii) the person is financially not sound.

(2) If any question arises as to whether a person is a fit and proper person, SEBI's decision on such question shall be final.

SECC_Circular^{xxxii}

Provision 6.3.2 The stock exchange/ clearing corporation shall ensure that public interest directors are selected from diverse field of work. While deciding to propose a particular person as a public interest director, the stock exchange/ clearing corporation shall also take into account the following factors:

a) Qualification in the area of law, finance, accounting, economics, management, administration or any other area relevant to the financial markets.

b) Atleast one person may be inducted having experience and background in finance / accounts who may preferably be inducted in the audit committee.

c) Persons currently holding positions of trust and responsibility in reputed organisations or person who have retired from such positions.

d) Persons who are likely to have interested positions in commercial contracts and financial affairs of stock



	<p>exchanges, may be excluded. Also, persons who are regular traders/ speculators in the market or are director in the board of the promoter entity of the Stock Exchange or Clearing Corporation, shall be excluded.</p> <p>SEBI Circular MRD/DSA/ Cir -6/2005^{xliv} dated February 17, 2005 Item 12 of the monthly development report format requires stock exchanges to report to SEBI important decisions taken by governing board/council of management in the governing board meetings.</p> <p>SEBI circular CIR/MIRSD/5/2013^{xlv} dated August 27, 2013 prescribed the General Guidelines for dealing with Conflicts of Interest of Intermediaries, Recognised Stock Exchanges, Recognised Clearing Corporations, Depositories and their Associated Persons in Securities Market</p>		
<p>Risk committee</p> <p>All CCPs must establish a risk committee, composed of representatives of its Clearing Members, independent members of the board and representatives of its Clients. None of these groups may have a majority of members. CCPs Competent Authorities may request to attend risk committee meetings, and be informed of the risk committee's activities and decisions.^{xlvi} The risk committee should be chaired</p>	<p>Risk committee</p> <p><u>Regulation 31</u></p> <p>31. (1) Every recognised clearing corporation shall constitute a risk management committee, comprising its public interest directors and independent external experts, which shall report to the governing board.</p> <p>(2) The risk management committee shall formulate a detailed risk management policy which shall be approved by the governing board.</p>	<p>Risk committee</p> <p>No corresponding provisions.</p>	<p>Risk committee</p> <p>SEBI - The SEBI regime for CCPs includes risk committee requirements for the senior management which are applicable, at a jurisdictional level, to CCPs in India under SEBI's supervision, and which are broadly equivalent to those of EMIR.</p> <p>RBI - The RBI regime for CCPs does not include risk committee requirements that are legally binding at a jurisdictional level. However, the</p>



by an independent member of the board, hold regular meetings and report directly to the board.^{xlvi}
 The risk committee must advise the board on any arrangements that may impact the risk management of the CCP. The risk committee's advice must be independent of any direct influence by the management of the CCP.^{xlvi} A CCP must promptly inform the competent authority of any decision in which the board decides not to follow the advice of the risk committee.

(3) The head of the risk management department shall be responsible for implementation of the risk management policy and he shall report to the risk management committee and to the managing director of the recognised clearing corporation.

(4) The risk management committee shall monitor implementation of the risk management policy and keep SEBI and the governing board informed about its implementation and deviation, if any.

SECC_Circular^{xxxii}

Annexure B

13 Function of Risk Management Committee

- Formulate a detailed risk management policy which shall be approved by the governing board.
- The head of the risk management department shall report to the risk management committee and to the managing director of the recognised clearing corporation.
- The risk management committee shall monitor implementation of the risk management policy and keep SEBI and the governing board informed about its implementation and deviation, if any

internal policies, procedures, rules, models and methodologies of individual CCPs, which are out of the scope of this assessment, may contain legally binding provisions equivalent to those of EMIR.

The Indian regulation does not require CCPs to set-up a risk committee.

Record keeping

A CCP must maintain, for at least 10 years, records relating to the services and activities it provides which are sufficient to enable its CCPs Competent Authority to monitor the CCP's compliance with EMIR.^{xlix}
 A CCP must maintain, for at least 10 years following the termination of a contract, all information relating to

Record keeping

SECC^{xxx}

Regulation 22 - Record keeping.

This regulation requires all recognised clearing corporations to maintain and preserve all the books, registers, other documents and records relating to the issue or transfer of its securities for a period of not less than ten years.

Record keeping

Prevention of Money Laundering Act 2009

There is an obligation for an entity like CCIL, being a payment system, to maintain records for 10 years.

Record keeping

SEBI - The SEBI regime for CCPs includes record keeping requirements. Based on a review of the legally binding requirements which are applicable, at a jurisdictional level, to CCPs in India under SEBI's supervision, these requirements are not equivalent to those of EMIR. However, the internal policies,



that contract (including sufficient information to enable the CCP to identify the original terms of that contract pre-clearing).¹

- General requirements. Such records must be available upon request to the competent authorities, ESMA and the relevant members of the ESCB.

Records kept by CCPs should facilitate a thorough knowledge of CCPs' credit exposure towards Clearing Members and allow monitoring of the implied risk. They should enable Competent Authorities, ESMA and the relevant members of the ESCB to adequately reconstruct the clearing process, in order to assess compliance with regulatory requirements.^{lii}

- Transaction records. A CCP must maintain records of all transactions in all contracts it clears, including sufficient information to comprehensively and accurately reconstruct the clearing process for each contract;^{liiii}

- Position records. A CCP must maintain records of all positions held by each Clearing Member, including sufficient information to comprehensively and accurately reconstruct the transactions that established the position. Separate records must be kept for each account held for a Clearing Member on an "omnibus client segregation" and "individual client segregation" basis;^{liv}

- Business records. A CCP must maintain records of all activities relating to its business and internal organisation (which must be updated every time there is a material change to

Regulation 42

Maintenance of books of accounts and records.

42. (2) Subject to the provisions of any other law for the time being in force, every recognised clearing corporation shall maintain and preserve the following books of account and documents **for a minimum period of ten years**, namely:–

(a) Minute books of the meetings of:

(i) governing board;

(ii) any committees of the governing board;

(b) Record of clearing members showing their full names, addresses and details of bank and depository accounts for settlement purposes;

(c) Transaction records;

(d) Record of security deposits;

(e) Margin deposits book;

(f) Client margin collection details;

(g) Ledgers;

(h) Journals;

(i) Cash book;

(j) Bank account statement;

(k) Such other books of accounts and documents as may be specified by SEBI from time to time.

Submission of annual financial statements and returns.

Regulation 43. (1) Every recognised clearing corporation shall furnish to SEBI its annual financial statements and returns as per rule 17 and 17A of the rules.

(2) The records as per sub-regulation (1) with respect to preceding financial year shall be furnished to SEBI by the thirtieth of September of every year.

procedures, rules, models and methodologies of individual CCPs, which are out of the scope of this assessment, may contain legally binding provisions equivalent to those of EMIR.

Indian CCPs under SEBI's supervision are not specifically required to maintain records of all activities relating to their business and internal organisation which are updated every time there is a material change to the relevant documents nor to maintain records of all information and data required to be reported to a trade repository.

***RBI** - The RBI regime for CCPs includes record keeping requirements. Based on a review of the legally binding requirements which are applicable, at a jurisdictional level, to CCPs in India under RBI's supervision, these requirements are not equivalent to those of EMIR. However, the internal policies, procedures, rules, models and methodologies of individual CCPs, which are out of the scope of this assessment, may contain legally binding provisions equivalent to those of EMIR.*

An Indian CCP's under RBI's supervision has a 10-year record keeping obligation.

However Indian CCPs under RBI's supervision are not specifically required to keep records of all transactions they clear in sufficient detail so as to enable the CCP to



<p>the relevant document);^{lv} and</p> <ul style="list-style-type: none"> Records of data reported to a trade repository. A CCP must maintain records of all information and data required to be reported to a trade repository (including time and date reported).^{lvi} 			<p>identify the original terms of that contract pre-clearing or to reconstruct the clearing process, records of the CCP's credit exposure, or all positions held by each clearing member so as to accurately reconstruct the transactions that established the positions.</p> <p>Indian CCPs under RBI's supervision are also not specifically required to maintain records of all activities relating to their business and internal organisation which are updated every time there is a material change to the relevant documents nor to maintain records of all information and data required to be reported to a trade repository.</p>
<p>Shareholders and members with qualifying holdings</p> <p>A Competent Authority must not authorise a CCP unless it has been informed of the identities of the CCP's shareholders or members (whether direct or indirect, natural or legal persons) which have qualifying holdings^{lvii} ("Qualifying Shareholders").^{lviii}</p> <p>A Competent Authority must refuse authorisation if it is not satisfied of the suitability of Qualifying Shareholders, taking into account the need to ensure the sound and prudent management of the CCP.^{lix}</p> <p>If a CCP's Qualifying Shareholders exercise influence over it which is likely to be prejudicial to the CCP's sound and prudent management, the Competent Authority must take appropriate measures to remedy the situation (including by withdrawing</p>	<p>Shareholders and members with qualifying holdings</p> <p>SECC^{xxx} <u>Regulation 18: Shareholding in a recognised clearing corporation</u> 18.(1) At least fifty one per cent. of the paid up equity share capital of a recognised clearing corporation shall be held by one or more recognised stock exchange(s): Provided that no recognised stock exchange shall, directly or indirectly, either individually or together with persons acting in concert, acquire or hold more than fifteen per cent. of the paid up equity share capital in more than one recognised clearing corporation. (2) No person resident in India, except a recognised stock exchange as permitted in sub regulation (1), shall at any time, directly or indirectly, either individually or together with persons acting in concert, acquire or hold more than five per cent. of the paid up equity share capital in a recognised clearing corporation: Provided that,—</p>	<p>Shareholders and members with qualifying holdings</p> <p>No corresponding provisions.</p>	<p>Shareholders and members with qualifying holdings</p> <p>SEBI - <i>The SEBI regime for CCPs includes requirements for shareholders and members with qualifying holdings which are applicable, at a jurisdictional level, to CCPs in India under SEBI's supervision, and which are broadly equivalent to those of EMIR.</i></p> <p>Persons who become a shareholder of more than 2% or 5% of the voting rights in a CCP under SEBI's supervision are required to obtain the approval of SEBI. SEBI is not specifically required to refuse to register a CCP with close links between the CCP and other natural or legal persons that might prevent the effective exercise of the authority's supervisory functions however SEBI</p>



the CCP's authorisation).^{lx}

A Competent Authority must not authorise a CCP with close links to other natural or legal persons if:

- those links prevent the effective exercise of the Competent Authority's supervisory functions;^{lxi} or
- (i) the laws, regulations or administrative provisions of a third country which apply to such persons, or (ii) difficulties associated with the enforcement of such provisions, prevent the effective exercise of the Competent Authority's supervisory functions.^{lxii}

- (i) a depository;
 - (ii) a banking company;
 - (iii) an insurance company; and
 - (iv) a public financial institution, may acquire or hold, either directly or indirectly, either individually or together with persons acting in concert, upto fifteen per cent. of the paid up equity share capital of a recognised clearing corporation.
- (3) No person resident outside India shall, directly or indirectly, either individually or together with persons acting in concert, acquire or hold more than five per cent. of the paid up equity share capital in a recognised clearing corporation.
- (4) The combined holding of all persons resident outside India in the paid up equity share capital of a recognised clearing corporation shall not exceed, at any time, forty-nine per cent. of its total paid up equity share capital, subject to the following:—
- (a) the combined holding of such persons acquired through the foreign direct investment route shall not exceed twenty six per cent. of the total paid up equity share capital, at any time;
 - (b) the combined holding of foreign institutional investors shall not exceed twenty three per cent. of the total paid up equity share capital, at any time;
 - (c) no foreign institutional investor shall acquire shares of a recognised clearing corporation otherwise than through secondary market.
- (5) Any person holding equity shares in a recognised clearing corporation in excess of the limits specified in this regulation on the date of commencement of these regulations shall comply with the conditions specified in this regulation within a period of three years from the date of such commencement.

Eligibility for acquiring or holding shares.

Regulation 19. (1) No person shall, directly or indirectly, acquire or hold equity shares of a recognised stock exchange or recognised clearing corporation unless he is a fit and proper person.

regime refers to fit and proper criteria which has the same objectives as EMIR and, namely ensuring that people involved in CCP business are fit and proper.

***RBI** - The RBI regime for CCPs does not include requirements for shareholders and members with qualifying holdings that are legally binding at a jurisdictional level. However, the internal policies, procedures, rules, models and methodologies of individual CCPs, which are out of the scope of this assessment, may contain legally binding provisions equivalent to those of EMIR.*

The RBI regime does not foresee any authorisation by the competent authority for shareholders and members with qualifying holdings nor the conditions for such authorisation being refused.

(2) Any person who, directly or indirectly, either individually or together with persons acting in concert, acquire equity shares such that his shareholding exceeds two per cent. of the paid up equity share capital of a recognised stock exchange or recognised clearing corporation shall seek approval of SEBI within fifteen days of the acquisition.

(3) A person eligible to acquire or hold more than five per cent. of the paid up equity share capital under sub-regulation (2) of regulation 17 and sub-regulation (2) of regulation 18 may acquire or hold more than five per cent. of the paid up equity share capital of a recognised stock exchange or a recognised clearing corporation only if he has obtained prior approval of SEBI.

(4) Any person holding more than two per cent. of the paid up equity share capital of the recognised stock exchange or the clearing corporation on the date of commencement of these regulations, shall ensure compliance with this regulation within a period of ninety days from the date of such commencement.

(5) If approval under sub-regulation (2) or (3) is not granted by SEBI to any person, such person shall forthwith divest his excess shareholding.

(6) Any person holding more than two per cent. of the paid up equity share capital in a recognised stock exchange or a recognised clearing corporation, as the case may be, shall file a declaration within fifteen days from the end of every financial year to the recognised stock exchange or recognised clearing corporation, as the case may be, that he complies with the fit and proper criteria provided in these regulations.

Fit and proper criteria.

Regulation 20. (1) For the purposes of these regulations, a person shall be deemed to be a fit and proper person if—

(a) such person has a general reputation and record of fairness and integrity, including but not

limited to—

- (i) financial integrity;
- (ii) good reputation and character; and
- (iii) honesty;

(b) such person has not incurred any of the following disqualifications—

- (i) the person, or any of its whole time directors or managing partners, has been convicted by a court for any offence involving moral turpitude or any economic offence or any offence against the securities laws;
- (ii) an order for winding up has been passed against the person;
- (iii) the person, or any of its whole time directors or managing partners, has been declared insolvent and has not been discharged;
- (iv) an order, restraining, prohibiting or debarring the person, or any of its whole time directors or managing partners, from dealing in securities or from accessing the securities market, has been passed by SEBI or any other regulatory authority, and a period of three years from the date of the expiry of the period specified in the order has not elapsed;
- (v) any other order against the person, or any of its whole time directors or managing partners, which has a bearing on the securities market, has been passed by SEBI or any other regulatory authority, and a period of three years from the date of the order has not elapsed;
- (vi) the person has been found to be of unsound mind by a court of competent jurisdiction and the finding is in force; and (vii) the person is financially not sound.

(2) If any question arises as to whether a person is a fit and proper person, SEBI's decision on such question shall be final.

Disclosure of shareholding.

Regulation 21. (1) Without prejudice to the provisions of the Act, rules and these regulations, the recognised stock exchange(s) and the recog-



nised clearing corporation(s) shall disclose to SEBI, in the format specified by SEBI, their shareholding pattern on a quarterly basis within fifteen days from the end of each quarter, including therein the following:—

(a) the names of the ten largest shareholders along with the number and percentage of shares held by them;

(b) the names of the shareholders falling under regulations 17 and 18 who had acquired shares in that quarter.

(2) A recognised stock exchange and a recognised clearing corporation shall monitor and ensure compliance with this Chapter at all times.

Information to competent authorities

Changes to Management. A CCP must report to its CCPs Competent Authority any changes to its management, and must provide the information necessary to assess the compliance of the new management with EMIR’s obligations relating to the board and senior management of a CCP.^{lxiii} When the conduct of a member is likely to be prejudicial to the sound and prudent management of the CCP, the competent authority must take appropriate measures, which may include removing the member from the board.^{lxiv}

Changes to Shareholders. Any natural or legal person (or persons acting in concert) (the “proposed acquirer”) who decides to (i) acquire a qualifying holding^{lxv} in a CCP, or (ii) to increase a qualifying holding as a result of which (x) the proportion of voting rights or

Information to competent authorities

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Regulation 24: Conditions of appointment of directors

24. (1) The appointment and re-appointment of all shareholder directors on the governing board of every recognised stock exchange or recognised clearing corporation shall be with the prior approval of SEBI.

(2) The public interest directors on the governing board of the recognised stock exchange(s) and the recognised clearing corporation(s) shall be nominated by SEBI.

(3) Public interest directors shall be nominated for a fixed term of three years, or for such extended period, as may be approved by SEBI.

(4) If any issue arises as to whether an assignment or position of a public interest director is in conflict with his role, SEBI’s decision shall be final.

(5) A public interest director may be renominat-

Information to competent authorities

RBI Instructions.

CCIL is required to keep RBI informed and seek RBI concurrence in case of change in management, shareholding etc. RBI, as regulator, can and does exercise its supervision authority to bring about change in the composition of CCIL board as any change in shareholding in the CCP (CCIL) requires RBI approval.

Information to competent authorities

SEBI - *The SEBI regime for CCPs includes requirements for information of competent authorities which are applicable, at a jurisdictional level, to CCPs in India under SEBI’s supervision, and which are broadly equivalent to those of EMIR.*

While SEBI regime has slightly different requirements and the information to be provided it has the same objectives as EMIR, namely ensuring that the authorities are informed and have a say in case of significant changes in the CCP management or shareholdings.

RBI - *The RBI regime for CCPs includes requirements for information of competent authorities which are applicable, at a jurisdictional level, to CCPs in India under SEBI’s supervision, and which are broadly equivalent to those of EMIR.*



capital held would reach or exceed 10%, 20%, 30% or 50% or (y) the CCP would become the subsidiary of the proposed acquirer (the “proposed acquisition”), must first notify the relevant CCPs Competent Authority and provide certain relevant information.

Any natural or legal person (the “proposed vendor”) who decides to (i) dispose of a qualifying holding, or (ii) reduce its qualifying holding as a result of which (x) the proportion of voting rights or capital held would fall below 10%, 20%, 30% or 50% or (y) the CCP would cease to be the subsidiary of the proposed vendor, must first notify the relevant CCPs Competent Authority and provide certain relevant information.

Within two working days of receipt of the notifications referred to above, the CCPs Competent Authority must acknowledge receipt. Within a further 60 working days (the “assessment period”) the CCPs Competent Authority must assess the suitability of the proposed acquirer and the financial soundness of the proposed acquisition, in accordance with the criteria set out in EMIR, Art. 32.^{lxvi} Within the first 50 working days of the assessment period, the CCPs Competent Authority may request any further information necessary to complete the assessment.^{lxvii}

If the CCPs Competent Authority decides to oppose the proposed acquisition, it must inform the proposed acquirer within two working days. If the CCPs Competent Authority does not oppose the proposed

ed after a cooling-off period of one year or such period as SEBI may deem fit in the interest of the securities market.

(6) Public interest directors shall be paid only sitting fees as specified in the Companies Act, 1956.

Regulation 25: Appointment of managing director

25. (1) The appointment, renewal of appointment and termination of service of the managing director of a recognised clearing corporation shall be subject to prior approval of SEBI.

(3) The appointment of the managing director shall be for a tenure not less than three years and not exceeding five years.

(5) The managing director shall be liable for removal or termination of services by the governing board of the recognised stock exchange or recognised clearing corporation with the prior approval of SEBI for failure to give effect to the directions, guidelines and other orders issued by SEBI, or the rules, the articles of association, by-laws and regulations of the recognised stock exchange or the recognised clearing corporation.

(6) The SEBI may suo motu remove or terminate the appointment of the managing director if deemed fit in the interest of securities market: Provided that no managing director shall be removed unless he has been given a reasonable opportunity of being heard.

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Regulation 18: Shareholding in a recognised clearing corporation

18.(1) At least fifty one per cent. of the paid up equity share capital of a recognised clearing corporation shall be held by one or more recognised stock exchange(s):

Provided that no recognised stock exchange shall, directly or indirectly, either individually or together with persons acting in concert, acquire or

While EMIR prescribes a range of specific reporting obligations, under the RBI regime a CCP is only required to report information to the RBI in case of change in management or shareholding. Both the trigger level and the information to be provided, are not as granular as those prescribed under EMIR; however the RBI regime has the same objectives as EMIR, namely the assessment of the CCP’s continued compliance with the CCP obligations.



acquisition within the assessment period, the proposed acquisition must be deemed approved.^{lxviii}

hold more than fifteen per cent. of the paid up equity share capital in more than one recognised clearing corporation.

(2) No person resident in India, except a recognised stock exchange as permitted in sub regulation (1), shall at any time, directly or indirectly, either individually or together with persons acting in concert, acquire or hold more than five per cent. of the paid up equity share capital in a recognised clearing corporation:

Provided that,—

- (i) a depository;
- (ii) a banking company;
- (iii) an insurance company; and
- (iv) a public financial institution,

may acquire or hold, either directly or indirectly, either individually or together with persons acting in concert, upto fifteen per cent. of the paid up equity share capital of a recognised clearing corporation.

(3) No person resident outside India shall, directly or indirectly, either individually or together with persons acting in concert, acquire or hold more than five per cent. of the paid up equity share capital in a recognised clearing corporation.

(4) The combined holding of all persons resident outside India in the paid up equity share capital of a recognised clearing corporation shall not exceed, at any time, forty-nine per cent. of its total paid up equity share capital, subject to the following:—

- (a) the combined holding of such persons acquired through the foreign direct investment route shall not exceed twenty six per cent. of the total paid up equity share capital, at any time;
- (b) the combined holding of foreign institutional investors shall not exceed twenty three per cent. of the total paid up equity share capital, at any time;
- (c) no foreign institutional investor shall acquire shares of a recognised clearing corporation otherwise than through secondary market.

(5) Any person holding equity shares in a recognised clearing corporation in excess of the limits

specified in this regulation on the date of commencement of these regulations shall comply with the conditions specified in this regulation within a period of three years from the date of such commencement.

Regulation 19

Eligibility for acquiring or holding shares.

19. (1) No person shall, directly or indirectly, acquire or hold equity shares of a recognised stock exchange or recognised clearing corporation unless he is a fit and proper person.

(2) Any person who, directly or indirectly, either individually or together with persons acting in concert, acquire equity shares such that his shareholding exceeds two per cent. of the paid up equity share capital of a recognised stock exchange or recognised clearing corporation shall seek approval of SEBI within fifteen days of the acquisition.

(3) A person eligible to acquire or hold more than five per cent. of the paid up equity share capital under sub-regulation (2) of regulation 17 and sub-regulation (2) of regulation 18 may acquire or hold more than five per cent. of the paid up equity share capital of a recognised stock exchange or a recognised clearing corporation only if he has obtained prior approval of SEBI.

(4) Any person holding more than two per cent. of the paid up equity share capital of the recognised stock exchange or the clearing corporation on the date of commencement of these regulations, shall ensure compliance with this regulation within a period of ninety days from the date of such commencement.

(5) If approval under sub-regulation (2) or (3) is not granted by SEBI to any person, such person shall forthwith divest his excess shareholding.

(6) Any person holding more than two per cent. of the paid up equity share capital in a recognised stock exchange or a recognised clearing corporation, as the case may be, shall file a declaration

within fifteen days from the end of every financial year to the recognised stock exchange or recognised clearing corporation, as the case may be, that he complies with the fit and proper criteria provided in these regulations.

Fit and proper criteria.

Regulation 20. (1) For the purposes of these regulations, a person shall be deemed to be a fit and proper person if—

(a) such person has a general reputation and record of fairness and integrity, including but not limited to—

- (i) financial integrity;
- (ii) good reputation and character; and
- (iii) honesty;

(b) such person has not incurred any of the following disqualifications—

(i) the person, or any of its whole time directors or managing partners, has been convicted by a court for any offence involving moral turpitude or any economic offence or any offence against the securities laws;

(ii) an order for winding up has been passed against the person;

(iii) the person, or any of its whole time directors or managing partners, has been declared insolvent and has not been discharged;

(iv) an order, restraining, prohibiting or debarring the person, or any of its whole time directors or managing partners, from dealing in securities or from accessing the securities market, has been passed by SEBI or any other regulatory authority, and a period of three years from the date of the expiry of the period specified in the order has not elapsed;

(v) any other order against the person, or any of its whole time directors or managing partners, which has a bearing on the securities market, has been passed by SEBI or any other regulatory authority, and a period of three years from the date of the order has not elapsed;



(vi) the person has been found to be of unsound mind by a court of competent jurisdiction and the finding is in force; and (vii) the person is financially not sound.
 (2) If any question arises as to whether a person is a fit and proper person, SEBI's decision on such question shall be final.

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Provision 5.1

5.1 The stock exchange/clearing corporation shall put in place a monitoring mechanism to ensure compliance with the shareholding restrictions prescribed in SECC Regulations at all times.

Assessment (for changes to shareholders)

When assessing the notifications referred to above, a CCPs Competent Authority must consider the suitability of the proposed acquirer and the financial soundness of the proposed acquisition against the following criteria, having regard to the likely influence of the proposed acquirer on the CCP:

- the reputation and soundness of the proposed acquirer and any person who will direct the CCP's business as a result of the proposed acquisition (with particular regard to the type of business pursued by the CCP);
- whether the CCP will be able to comply and continue to comply with EMIR (with particular regard to whether the corporate group which the CCP will enter post-acquisition has a structure which makes it possible for the CCPs Competent Authority to exercise effective supervision, to

Assessment (for changes to shareholders)

Fit and proper criteria.

Regulation 20. (1) For the purposes of these regulations, a person shall be deemed to be a fit and proper person if—

- (a) such person has a general reputation and record of fairness and integrity, including but not limited to—
 - (i) financial integrity;
 - (ii) good reputation and character; and
 - (iii) honesty;
- (b) such person has not incurred any of the following disqualifications—
 - (i) the person, or any of its whole time directors or managing partners, has been convicted by a court for any offence involving moral turpitude or any economic offence or any offence against the securities laws;
 - (ii) an order for winding up has been passed against the person;
 - (iii) the person, or any of its whole time directors or managing partners, has been declared insolvent and has not been discharged;
 - (iv) an order, restraining, prohibiting or debarring the person, or any of its whole time directors or managing partners, from dealing in securities or

Assessment (for changes to shareholders)

No corresponding provisions.

Assessment (for changes to shareholders)

SEBI - The SEBI regime for CCPs includes requirements for the assessment for changes to shareholders which are applicable, at a jurisdictional level, to CCPs in India under SEBI's supervision, and which are broadly equivalent to those of EMIR.

Whilst the details of EMIR and SEBI regime are not identical they share the same objective i.e. that the authorities assess new management or shareholders and ensure that people involved in CCP business are fit and proper.

RBI - The RBI regime for CCPs does not include requirements for the assessment for changes to shareholders. However, the internal policies, procedures, rules, models and



exchange information with other Competent Authorities and to determine the allocation of responsibility among Competent Authorities); and

- whether there are reasonable grounds to suspect that money laundering or terrorist financing is being or has been committed in connection with the proposed acquisition, or that the proposed acquisition could increase the risk thereof.^{lxix}

A Competent Authority may only oppose a proposed acquisition where (i) there are reasonable grounds for doing so on the basis of the criteria set out above, or (ii) the proposed acquirer has provided incomplete information.^{lxx}

Member States must not impose any conditions on the levels of holdings in CCPs that may be acquired, or allow their Competent Authorities to examine proposed acquisitions in terms of the economic needs of the market.^{lxxi} Member States must specify publicly the information necessary to carry out the assessment, which information must be (i) proportionate and appropriate to the nature of the proposed acquirer and acquisition, and (ii) limited to information relevant for a prudential assessment.^{lxxii}

If the proposed acquirer is (i) another CCP, a credit institution, an assurance, insurance or reinsurance undertaking, an investment firm, a market operator, an operator of a securities settlement system, a UCITS management company or an AIFM authorised in

from accessing the securities market, has been passed by SEBI or any other regulatory authority, and a period of three years from the date of the expiry of the period specified in the order has not elapsed;

(v) any other order against the person, or any of its whole time directors or managing partners, which has a bearing on the securities market, has been passed by SEBI or any other regulatory authority, and a period of three years from the date of the order has not elapsed;

(vi) the person has been found to be of unsound mind by a court of competent jurisdiction and the finding is in force; and (vii) the person is financially not sound.

(2) If any question arises as to whether a person is a fit and proper person, SEBI's decision on such question shall be final.

methodologies of individual CCPs, which are out of the scope of this assessment, may contain legally binding provisions equivalent to those of EMIR.

Since the RBI regime for CCPs does not foresee the notification it does not describe any details on its assessment and the criteria which should be taken into account to oppose a proposed acquisition if necessary.



another Member State, or (ii) the parent undertaking of or a natural or legal person controlling an entity specified in subparagraph (i), the relevant Competent Authorities must cooperate closely in carrying out the assessment, and provide each other with all essential information (on their own initiative) and all relevant information (upon request) without undue delay.^{lxxiii}

Conflicts of interest

A CCP must maintain effective written organisational and administrative arrangements^{lxxiv} to identify and manage potential conflicts of interest between (i) itself, including its management, employees, and close associates, and (ii) its Clearing Members, including Clients of a Clearing Member which are known to the CCP. It must maintain and implement adequate procedures to resolve possible conflicts of interest.^{lxxv} If such arrangements are not sufficient to ensure that damage to the interests of a Clearing Member or Client are prevented, the CCP must clearly disclose the general nature or source of conflicts of interest to the Clearing Member (and, if known to the CCP, the Client) before accepting new transactions from that Clearing Member.^{lxxvi} A CCP must take reasonable steps to prevent any misuse of information held in its systems and must prevent the use of that information for other business activities. CCPs should adequately assess and

Conflicts of interest

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Schedule II Part A (i) (a)
 It sets out that director of every Clearing Corporation should not participate in discussions on any subject matter in which any conflict of interest exists or arises, whether pecuniary or otherwise, and in such cases the same shall be disclosed and recorded in the minutes of the meeting.
Schedule II Part B (i) -Objectives and underlying principles.
 It set out that every director and KMP are required to avoid any conflict of interest between director, KMP and Clearing Corporation or investors.
Schedule II Part B (iv)- Avoidance of conflict of interest.
 It set out that every KMP is required to disclose to the Clearing Corporation on periodic basis (as determined by Clearing Corporation) all trading of securities done by them.
Schedule II - Part A
V(d) – General Responsibility
 Every director of the recognised clearing corporation shall unless otherwise required by law, main-

Conflicts of interest

No corresponding provisions.

Conflicts of interest

SEBI - The SEBI regime for CCPs includes conflict of interest requirements which are applicable, at a jurisdictional level, to CCPs in India under SEBI's supervision, and which are equivalent to those of EMIR.
RBI - The RBI regime for CCPs does not include conflict of interest requirements that are legally binding at a jurisdictional level. However, the internal policies, procedures, rules, models and methodologies of individual CCPs, which are out of the scope of this assessment, may contain legally binding provisions equivalent to those of EMIR.
 The RBI regime does not require that the CCP maintains written organisational and administrative arrangements to identify and manage potential conflicts of interest
 The RBI regime does not expressly impose a requirement such that a CCP discloses conflicts of interest to clearing members and client's.



monitor the extent to which board members that sit on the boards of different entities have conflicts of interest, whether within or outside the group of the CCP.^{lxxvii}

tain confidentiality and shall not divulge/disclose any information obtained in the discharge of their duty and no such information shall be used for personal gains;

Schedule II - Part B

ix(b) and (d) – Access to Information

Any retrieval of confidential documents/ information shall be properly recorded. Any information relating to the business/operations of the clearing corporation, which may come to the knowledge of directors/ key management personnel during performance of their duties shall be held in strict confidence, shall not be divulged to any third party and shall not be used in any manner except for the performance of their duties.

Regulation 23

(7) No trading member or clearing member, or their associates and agents, shall be on the governing board of any recognised stock exchange or recognised clearing corporation.

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Provision 11: Internal manual for conflict resolution The clearing corporation shall have an internal manual covering the management of conflicts between commercial and regulatory functions of the clearing corporation. The stock exchange/ clearing corporation shall put in place a policy for comprehensive training and awareness of its employees on the various conflicts of interests involved in the functioning of its regulatory departments. Further, the entire conflict management framework shall periodically be reviewed and be strengthened based on the observations of such review.

Provision 12: Report to SEBI

The public interest directors shall identify im-

An Indian CCP under RBI's supervision is not specifically required to take reasonable steps to prevent any misuse of information held in its systems or to prevent the use of that information for other business activities.



<p>portant issues which may involve conflict of interest for the clearing corporation, may have significant impact on the functioning of SE/CC, may not be in the interest of market. The same shall be reported to SEBI.</p>		
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<p>Business continuity</p> <p>The CCP must maintain an organisational structure that ensures continuity and orderly functioning in the performance of its services and activities.^{lxxviii}</p> <p>A CCP must implement and maintain a business continuity policy and disaster recovery plan to ensure the preservation of its functions, the recovery of operations and the fulfilment of its obligations. The disaster recovery plan must at least allow the recovery of all transactions at the time of disruption to allow the CCP to continue to operate with certainty and to complete settlement on the scheduled date.^{lxxix}</p> <p>Strategy and policy. The business continuity policy and disaster recovery plan must be approved by the board and subject to independent reviews that are reported to the board. The business continuity policy must identify all critical business functions and related systems, and take into account external links and interdependencies within the financial infrastructure, including trading venues cleared by the CCP, securities settlement and payment systems and credit institutions used by the CCP or a linked CCP. It should also take into account critical functions or services which have been outsourced. The business continuity plan should, <i>inter alia</i>, identify the maximum acceptable down time for critical functions and systems, which must not be higher than two hours.</p>	<p>Business continuity</p> <p>SECC^{xxx}</p> <p><u>Regulation 7 (4)(g)</u></p> <p>An applicant seeking recognition as a clearing corporation shall, in addition to conditions as specified in sub-regulations (1) and (2), comply with the following conditions, namely:—</p> <p>(g) the applicant has adequate systems' capacity for on-line/real time risk management of trades cleared and settled and is supported by a suitable business continuity plan including a disaster recovery site;</p>	<p>Business continuity</p> <p><u>RBI instructions</u></p> <p>Business Continuity Plan is required to be approved by the Technical approval Committee of the board of CCIL and by the board itself. The approved plan is required to be submitted to RBI which reviews the plan as part of its offsite surveillance.</p> <p>Also, a duly audited report by audit carried out by an external auditor has to be submitted to the RBI.</p>	<p>Business continuity</p> <p>SEBI - <i>The SEBI regime for CCPs includes business continuity requirements. Based on a review of the legally binding requirements which are applicable, at a jurisdictional level, to CCPs in India under SEBI's supervision, these requirements are not equivalent to those of EMIR. However, the internal policies, procedures, rules, models and methodologies of individual CCPs, which are out of the scope of this assessment, may contain legally binding provisions equivalent to those of EMIR.</i></p> <p>The SEBI regime only includes a general obligation to have adequate systems, a business continuity plan and a disaster recovery site but it does not require them to allow the CCP to continue to operate with certainty and to complete settlement on the scheduled date.</p> <p>The SEBI regime does not specify the involvement of the board in business continuity and crisis management planning.</p> <p>An Indian CCP under SEBI's supervision is not specifically required to have a maximum acceptable downtime no higher than 2 hours.</p> <p>An Indian CCP under SEBI's supervision is not specifically required to have a secondary processing site capable of ensuring continuity of all its critical functions, with a different geographical risk profile.</p> <p>The SEBI regime does not specifically</p>
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End of day procedures and payments should be completed on the required day in all circumstances.^{lxxx}

Business impact analysis. A CCP must conduct a business impact analysis to identify its critical functions and have in place arrangements to ensure the continuity of its critical functions based on various disaster scenarios^{lxxxii}.

Disaster recovery. A CCP must maintain a secondary processing site capable of ensuring continuity of all of its critical functions, which must have a geographical risk profile which is different from that of the primary site.^{lxxxii}

Testing and monitoring. A CCP must test and monitor its business continuity policy and disaster recovery plan at regular intervals taking into account scenarios of large scale disasters and switchovers between primary and secondary sites.^{lxxxiii}

Maintenance. A CCP must regularly review and update its business continuity policy and disaster recovery plan to include the most suitable recovery strategy, taking into consideration the outcome of tests and the recommendations of independent reviews and of the relevant CCPs Competent Authority.^{lxxxiv}

Crisis management. A CCP must have a crisis management function to act in case of emergency, which function must be monitored and reviewed by the board.^{lxxxv}

require CCPs to have a crisis management function to act in case of emergency.

RBI - The RBI regime for CCPs includes business continuity requirements. Based on a review of the legally binding requirements which are applicable, at a jurisdictional level, to CCPs in India under RBI's supervision, these requirements are not equivalent to those of EMIR. However, the internal policies, procedures, rules, models and methodologies of individual CCPs, which are out of the scope of this assessment, may contain legally binding provisions equivalent to those of EMIR.

An Indian CCP under RBI's supervision is not specifically required to maintain an organisational structure that ensures continuity and orderly functioning in the performance of its services and activities, a business continuity policy.

The RBI regime does not specify the involvement of the board in business continuity and crisis management planning.

An Indian CCP under RBI's supervision is not specifically required to have a maximum acceptable downtime no higher than 2 hours.

An Indian CCP under RBI's supervision is not specifically required to have a secondary processing site capable of ensuring continuity of all its critical functions, with a different geographical risk profile.

The RBI regime does not specifically

Communications. A CCP must have clear procedures to manage internal and external crisis communications and a communication plan documenting how management and relevant external stakeholders will be kept adequately informed during a crisis).^{lxxxvi}

require CCPs to have a crisis management function to act in case of emergency.



<p>Outsourcing</p> <p>Where a CCP outsources operational functions, services or activities, it remains responsible for discharging all of its obligations and must ensure that, inter alia: (i) outsourcing does not result in the delegation of its responsibilities; (ii) the CCP's relationship and obligations towards its Clearing Members and their Clients are not altered; (iii) the conditions for authorizing of the CCP do not effectively change, (iv) outsourcing does not prevent the exercise of the CCP's supervisory and oversight functions, or deprive the CCP of necessary systems and controls to manage its risks; (v) the service provider implements equivalent business continuity requirements to those required under EMIR; (vi) the CCP retains necessary expertise and resources to evaluate the quality of services provided, the organisational and capital adequacy of the service provider, and to manage the risks associated with outsourcing on an on-going basis; (vii) the CCP has direct access to relevant information relating to the outsourcing functions; and (viii) the service provider cooperates with the relevant CCPs Competent Authority, and (viii) the service provider protects any confidential information relating to the CCP and its clearing members and clients or, where the service provider is established in a third country, ensures that the data protection standards of that third country, or those set out in the agreement between the parties</p>	<p>Outsourcing</p> <p>No corresponding provisions.</p>	<p>Outsourcing</p> <p>No corresponding provisions.</p>	<p>Outsourcing</p> <p>SEBI - The SEBI regime for CCPs does not include outsourcing requirements that are legally binding at a jurisdictional level. However, the internal policies, procedures, rules, models and methodologies of individual CCPs, which are out of the scope of this assessment, may contain legally binding provisions equivalent to those of EMIR.</p> <p>The SEBI regime does not prescribe requirements for outsourcing arrangements, including that a CCP may not outsource major activities linked to risk management without approval from the Indian authorities or that where a CCP outsources operational functions, services or activities, it remains responsible for discharging all of its obligations or that outsourcing should not prevent the exercise of the CCP's supervisory and oversight functions, or deprive the CCP of necessary systems and controls or resources and expertise to manage its risks.</p> <p>RBI - The RBI regime for CCPs does not include outsourcing requirements that are legally binding at a jurisdictional level. However, the internal policies, procedures, rules, models and methodologies of individual CCPs, which are out of the scope of this assessment, may contain legally binding provisions equivalent to those of EMIR.</p> <p>The RBI regime does not prescribe</p>
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<p>concerned, are comparable to the data protection standards in effect in the Union.^{lxxxvii}</p> <p>A CCP may not outsource major activities linked to risk management without approval from its Competent Authority. The Competent Authority will require the CCP to allocate and set out its rights and obligations and those of the service provider, clearly in a written agreement.^{lxxxviii}</p>			<p>requirements for outsourcing arrangements, including that a CCP may not outsource major activities linked to risk management without approval from the Indian authorities or that where a CCP outsources operational functions, services or activities, it remains responsible for discharging all of its obligations or that outsourcing should not prevent the exercise of the CCP's supervisory and oversight functions, or deprive the CCP of necessary systems and controls or resources and expertise to manage its risks.</p>
<p>Conduct of business rules – general provisions</p> <p>When providing services to its Clearing Members and their Clients, CCPs must act fairly and professionally in line with the best interests of such Clearing Members and Clients and sound risk management.^{lxxxix}</p> <p>A CCP must have accessible, transparent and fair rules for the prompt handling of complaints.^{xc}</p>	<p>Conduct of business rules – general provisions</p> <p>SECC^{xxxix}</p> <p>Regulation 41 Equal, fair and transparent access.</p> <p>41. (1) The recognised clearing corporation shall lay down a transparent policy framework for ensuring that there is no discrimination while rendering clearing and settlement services in settlement of trades on shareholder stock exchange(s) and on non-shareholder stock exchange(s).</p> <p>(2) The recognised clearing corporation and recognised stock exchange shall ensure equal, unrestricted, transparent and fair access to all persons without any bias towards its associates and related entities.</p> <p><u>Regulation 31(2)</u> (2) The recognised stock exchange shall extend its arbitration mechanism for settlement of disputes or claims arising out of clearing and settlement of trades executed on such stock exchange.</p>	<p>Conduct of business rules – general provisions</p> <p>PSS Act provides the legal backing for putting in place a formal dispute resolution framework. Accordingly RBI has issued a Dispute Resolution Mechanism for adherence by system providers and system participants of all Payment Systems authorised to operate in the country. This is also applicable to CCIL.</p>	<p>Conduct of business rules – general provisions</p> <p>SEBI - The SEBI regime for CCPs includes general business conduct requirements. Based on a review of the legally binding requirements which are applicable, at a jurisdictional level, to CCPs in India under SEBI's supervision, and which are broadly equivalent to those of EMIR.</p> <p>An Indian CCP under RBI's supervision is not specifically required to act in the best interests of participants when providing services to them but there is a reference to fairness and handling of investors' grievance which refer to the same rationale.</p> <p>RBI - The RBI regime for CCPs includes general business conduct requirements. Based on a review of the legally binding requirements</p>



	<p><u>Regulation 7(3)(h)</u> The applicant has adequate investor grievances redressal mechanism and arbitration mechanism to resolve disputes arising out of trades and its settlement;</p> <p><u>Regulation 37</u> Agreement between stock exchange and clearing corporation. (2) The recognised stock exchange shall extend its arbitration mechanism for settlement of disputes or claims arising out of clearing and settlement of trades executed on such stock exchange.</p>		<p><i>which are applicable, at a jurisdictional level, to CCPs in India under RBI's supervision, these requirements are not equivalent to those of EMIR. However, the internal policies, procedures, rules, models and methodologies of individual CCPs, which are out of the scope of this assessment, may contain legally binding provisions equivalent to those of EMIR.</i></p> <p>An Indian CCP under RBI's supervision is not specifically required to act fair and professionally in a transparent manner and in the best interests of participants when providing services to them.</p>
<p>Participation requirements</p> <p>A CCP must establish categories of admissible Clearing Members and admission criteria, following the advice of the risk committee. Such criteria must be non-discriminatory, transparent and objective so as to ensure fair and open access to the CCP and must ensure that clearing members have sufficient financial resources and operational capacity to meet the obligations arising from participation in a CCP. Criteria that restrict access may only be permitted if their objective is to control risk.^{xci} Clearing members that clear transactions on behalf of their clients must have the necessary additional financial resources and operational capacity to perform this activity. The CCP's rules for clearing members must allow it to gather relevant basic</p>	<p>Participation requirements</p> <p>SECC^{xxxii}</p> <p><u>Regulation 41</u> Equal, fair and transparent access. 41. (1) The recognised clearing corporation shall lay down a transparent policy framework for ensuring that there is no discrimination while rendering clearing and settlement services in settlement of trades on shareholder stock exchange(s) and on non-shareholder stock exchange(s). (2) The recognised clearing corporation and recognised stock exchange shall ensure equal, unrestricted, transparent and fair access to all persons without any bias towards its associates and related entities. (3) The recognised stock exchange and recognised clearing corporation shall not engage in activities that are unrelated or not incidental to its activity as a stock exchange or clearing corporation, as the case may be, except through a separate legal entity and as permitted by SEBI.</p>	<p>Participation requirements</p> <p>No corresponding provisions.</p>	<p>Participation requirements</p> <p>SEBI - <i>The SEBI regime for CCPs includes participation requirements. Based on a review of the legally binding requirements which are applicable, at a jurisdictional level, to CCPs in India under SEBI's supervision, these requirements are not equivalent to those of EMIR. However, the internal policies, procedures, rules, models and methodologies of individual CCPs, which are out of the scope of this assessment, may contain legally binding provisions equivalent to those of EMIR.</i></p> <p>The SEBI regime does not require the creation of membership categories An Indian CCP under SEBI's supervision is not specifically required</p>



information to identify, monitor and manage relevant concentrations of risk relating to the provision of services to clients. Clearing Members must, upon request, inform the CCP about the criteria and arrangements they adopt to allow their Clients to access the services of the CCP. Responsibility for ensuring that Clients comply with their obligations remains with Clearing Members.^{xcii}

A CCP must have objective procedures for the suspension and exit of clearing members that no longer meet its admission criteria. A CCP may only deny access to Clearing Members meeting the criteria where justified in writing, based on a comprehensive risk analysis.^{xciii}

A CCP may impose additional obligations on Clearing Members, such as participation in auctions of a Defaulting Clearing Member's (as defined below) position. Such additional obligations must be proportional to the risk brought by the Clearing Member and must not restrict participation to certain categories of Clearing Members.^{xciv}

A CCP must ensure the application of the above criteria on an on-going basis and must annually conduct a comprehensive review of compliance with these provisions by its Clearing Members.^{xcv}

SECURITIES AND EXCHANGE BOARD OF INDIA (STOCK-BROKERS AND SUB-BROKERS) REGULATIONS, 1992^{xcvi}

Consideration of application.

16C. (1) The SEBI shall take into account for considering the grant of a certificate all matters relating to dealing and settlement in derivatives and in particular the following, namely, whether the applicant—

(a) is eligible to be admitted as a trading member of a derivatives exchange and/or a clearing member of a derivatives exchange or derivatives segment of a stock exchange or clearing corporation or house;

(b) has the necessary infrastructure like adequate office place, equipment and man-power to effectively undertake his activities;

(c) is subjected to disciplinary proceedings under the rules, regulations and byelaws of any stock exchange with respect to his business as a stock broker or member of a derivatives exchange or segment or member of clearing house or corporation involving either himself or any of his partners, directors or employees;

42[(d) has any financial liability which is due and payable to SEBI under these regulations.]
[...]

(3) An applicant who desires to act as a clearing member, in addition to complying with the requirements of sub-regulation (1), shall have a minimum net worth of Rs. 300 lacs and shall deposit at least a sum of Rs.50 lacs or higher amount with the clearing corporation or clearing house of the derivatives exchange or derivatives segment in the form specified from time to time.

43[(4) An applicant who desires to act as a self-clearing member, in addition to complying with the requirements of sub-regulation (1), shall have a minimum net worth of Rs.100 lacs and shall deposit at least a sum of Rs.50 lacs or higher amount with the clearing corporation or clearing

to have rules that allow the CCP to identify, monitor and manage concentrations of risk relating to the clearing member's provision of services to clients.

An Indian CCP under SEBI's supervision is not specifically required to have procedures for the suspension and exit.

***RBI** - The RBI regime for CCPs does not include participation requirements that are legally binding at a jurisdictional level. However, the internal policies, procedures, rules, models and methodologies of individual CCPs, which are out of the scope of this assessment, may contain legally binding provisions equivalent to those of EMIR.*

The RBI regime does not address additional requirements imposed on clearing members clearing clients' activity or require the additional obligations to be proportional to the risk brought by the clearing member.

An Indian CCP under RBI's supervision is not specifically required to have rules that allow the CCP to identify, monitor and manage concentrations of risk relating to the clearing member's provision of services to clients.

house of the derivatives exchange or derivatives segment in the form specified from time to time.]

SEBI (Intermediaries) Regulations, 2008^{xvii}

Regulation 23

Cancellation or suspension of registration and other actions

23. Where any person who has been granted a certificate of registration under the Act or regulations made thereunder, –

(a) fails to comply with any conditions subject to which a certificate of registration has been granted to him;

(b) contravenes any of the provisions of the securities laws or directions, instructions or circulars issued thereunder;

SEBI may, without prejudice to any action under the securities laws or directions, instructions or circulars issued thereunder, by order take such action in the manner provided under these regulations.

SCRR^{xviii}

Obligation of the governing body to take disciplinary action against a member if so directed by SEBI.

11. After receiving the report of the result of an enquiry made under clause (b) of subsection (3) of section 6 of the Act, SEBI may take such action as they deem proper and, in particular, may direct the governing body of the stock exchange to take such disciplinary action against the offending member, including fine, expulsion, suspension or any other penalty of a like nature not involving the payment of money, as may be specified by SEBI; notwithstanding anything to the contrary contained in the rules or bye-laws of the stock exchange concerned, the governing body shall give effect to the directions of the SEBI in this behalf



	<p>and shall not in any manner commute, revoke or modify the action taken in pursuance of such directions, without the prior approval of the SEBI. SEBI may, however, either of its own motion or on the representation of the member concerned, modify or withdraw its direction to the governing body.</p>		
<p>Transparency</p> <p>A CCP and its Clearing Members must publicly disclose the prices and fees associated with each service provided separately (including discounts and rebates and the conditions to benefit from such reductions).^{xcix}</p> <p>A CCP must also publicly disclose (i) on an aggregated basis, the volumes of cleared transactions for each class of instruments cleared, (ii) the operational and technical requirements relating to communication protocols used with third parties, and (iii) any breaches by clearing members of its participation requirements, except where the competent authority, after consulting ESMA, considers that such disclosure would constitute a threat to financial stability or to market confidence or would seriously jeopardize the financial markets or cause disproportionate damage to the parties involved.^c</p> <p>A CCP must allow its Clearing Members and Clients separate access to the specific services provided.^{ci}</p> <p>A CCP must inform Clearing Members and their Clients of the risks associated with the services provided.^{cii}</p> <p>A CCP must disclose (i) to its</p>	<p>Transparency</p> <p><u>Regulation 41 - Equal, fair and transparent access.</u></p> <p>The recognised clearing corporation shall lay down a transparent policy framework for ensuring that there is no discrimination while rendering clearing and settlement services in settlement of trades on shareholder stock exchange(s) and on non-shareholder stock exchange(s).</p> <p>The recognised clearing corporation exchange shall ensure equal, unrestricted, transparent and fair access to all persons without any bias towards its associates and related entities.</p> <p>The recognised clearing corporation shall not engage in activities that are unrelated or not incidental to its activity as a clearing corporation, as the case may be, except through a separate legal entity and as permitted by SEBI.</p> <p>SEBI Cir SEBI/MRD/DSA-OIAE/Cir.- 09 /2010^{civ}</p> <p>dated April 1, 2010 on “Disclosure of regulatory orders and arbitration awards on Stock Exchange website”</p> <p>Accordingly, it has been decided that the Stock Exchanges shall post all their regulatory orders and arbitration awards issued since April 1, 2007, on their websites within 30 days. Further, all regulatory orders and arbitration awards as and</p>	<p>Transparency</p> <p>No corresponding provisions.</p>	<p>Transparency</p> <p><i>SEBI - The SEBI regime for CCPs includes transparency requirements. Based on a review of the legally binding requirements which are applicable, at a jurisdictional level, to CCPs in India under SEBI's supervision, these requirements are not equivalent to those of EMIR. However, the internal policies, procedures, rules, models and methodologies of individual CCPs, which are out of the scope of this assessment, may contain legally binding provisions equivalent to those of EMIR.</i></p> <p>An Indian CCP under SEBI's supervision is not required to disclose to the public its prices and fees, its volumes on an aggregated basis, the operational and technical requirements relating to communication protocols used with third parties or breach of participation requirements.</p> <p>An Indian CCP under SEBI's supervision is not required to allow its clearing members and clients separate access to specific services it provides nor is it required to price each service separately.</p>



<p>Competent Authority the costs and revenues of the services and (ii) to its Competent Authority and Clearing Members the price information used to calculate its end-of-day exposures to its Clearing Members.^{ciii}</p>	<p>when issued by Exchanges from the date of this circular shall be posted on their website immediately.</p> <p>SEBI Master Circular on matter relating to Exchange Traded Derivatives dated Apr 01,2013^{cv}</p> <p>12.8 Liquidity Enhancement Schemes for Illiquid Securities in Equity Derivatives Segment</p> <p>The Stock Exchange shall ensure that the LES, including any modification therein or its discontinuation, is disclosed to market at least 15 days in advance and its outcome (incentives granted and volume achieved – liquidity enhancer wise and security wise) is disseminated monthly within a week of the close of the month.</p>		<p>An Indian CCP under SEBI's supervision is not required to inform any party of the costs and revenues of its services or the risks associated with the services provided.</p> <p><i>RBI - The RBI regime for CCPs does not include transparency requirements that are legally binding at a jurisdictional level. However, the internal policies, procedures, rules, models and methodologies of individual CCPs, which are out of the scope of this assessment, may contain legally binding provisions equivalent to those of EMIR.</i></p> <p>An Indian CCP under RBI's supervision is not required to disclose to the public its prices and fees, its volumes on an aggregated basis, the operational and technical requirements relating to communication protocols used with third parties or breach of participation requirements.</p> <p>An Indian CCP under RBI's supervision is not required to allow its clearing members and clients separate access to specific services it provides nor is it required to price each service separately.</p> <p>An Indian CCP under RBI's supervision is not required to inform any party of the costs and revenues of its services or the risks associated with the services provided.</p>
<p>Segregation and portability</p> <p>A CCP must keep separate records and</p>	<p>Segregation and portability</p> <p>SEBI Master Circular for Stock Exchange –</p>	<p>Segregation and portability</p> <p>No corresponding provisions.</p>	<p>Segregation and portability</p> <p>SEBI - The SEBI regime for CCPs</p>



accounts that enable it to identify and segregate the assets and positions of one Clearing Member from the assets and positions of any other Clearing Member and from its own assets. In addition, a CCP must offer to keep separate records and accounts enabling each Clearing Member to either (i) distinguish the assets and positions of that Clearing Member from those held for the accounts of its Clients (“omnibus client segregation”) or (ii) distinguish the assets and positions held for the account of a Client from those held for the accounts of other Clients (“individual client segregation”).^{evi}

A Clearing Member must keep separate records and accounts that enable it to distinguish both in accounts held with the CCP and in its own accounts its assets and positions from the assets and positions held for the account of its Clients.

A Clearing Member must offer its Clients, at least, the choice between omnibus client segregation and individual client segregation and inform them of the costs and level of protection (as further described below) associated with each option. The Client must confirm its choice in writing. When a Client opts for individual client segregation, any margin in excess of the Client’s requirement must also be posted to the CCP and distinguished from the margins of other Clients or Clearing Members and must not be exposed to losses connected to positions recorded in another account.^{evii}

CCPs and Clearing Members must

Equity Cash Market dated Apr 17,2013^{cxii}

5.2.11 Safeguarding client’s money

The Clearing Corporation should segregate the margins deposited by the Clearing Members for trades on their own account from the margins deposited with it on client account. The margins deposited on client account shall not be utilised for fulfilling the dues which a Clearing Member may owe the Clearing Corporation in respect of trades on the member’s own account. The client’s money is to be held in trust for client purpose only. The following process is to be adopted for segregating the client’s money vis-à-vis the clearing member’s money:

- (i) At the time of opening a position, the member should indicate whether it is a client or proprietary position.
- (ii) Margins across the various clients of a member should be collected on a gross basis and should not be netted off.
- (iii) When a position is closed, the member should indicate whether it was a client or his own position which is being closed.
- (iv) In the case of default, the margins paid on the proprietary position would only be used by the Clearing Corporation for realising its dues from the member

SEBI circular SMD/SED/CIR/93/23321^{cxiii} dated November 18, 1993

Member brokers to compulsory keep the money of the clients in a separate account and their own money in a separate account. No payment for transactions in which the Member broker is taking a position as a principal will be allowed to be made from the client’s account.

SEBI circular MRD/DoP/SE/Cir-11/2008^{cxiv} dated April 17, 2008

- (a) Brokers should have adequate systems and

includes segregation and portability requirements. Based on a review of the legally binding requirements which are applicable, at a jurisdictional level, to CCPs in India under SEBI’s supervision, these requirements are not equivalent to those of EMIR. However, the internal policies, procedures, rules, models and methodologies of individual CCPs, which are out of the scope of this assessment, may contain legally binding provisions equivalent to those of EMIR.

CCPs supervised by SEBI are subject to a single segregation regime (segregation of client assets from the assets of the clearing member with gross calculation between clients) and the EMIR concept of individual segregation does not feature, including with it, provisions such as the requirement for clearing members to pass excess margin to the CCP.

SEBI regime does not specifically require the CCPs to publicly disclose the levels of protection offered, including the costs and main legal implications (including information relating to treatment on insolvency) of each level of protection or to offer those services on reasonable commercial terms.

The SEBI regime does not specify the legal mechanism through which a CCP has the right to use margin or default

<p>publicly disclose the levels of protection offered, including the costs and main legal implications (including information relating to treatment on insolvency) of each level of protection and must offer those services on reasonable commercial terms.^{cviii}</p> <p>A CCP must have a right of use relating to the margins or default fund contributions collected via a security financial collateral arrangement, within the meaning of Article 2(1)(c) of Directive 2002/47/EC on financial collateral arrangements, provided that the use of such arrangements is provided for in its operating rules. The Clearing Member must confirm its acceptance of the operating rules in writing. The CCP must publicly disclose that right of use, which shall be exercised in accordance with Article 47 (Investment Policy).^{cix}</p> <p>The requirement to distinguish assets and positions with the CCP in accounts is satisfied where:</p> <p>(a) the assets and positions are recorded in separate accounts;</p> <p>(b) the netting of positions recorded on different accounts is prevented;</p> <p>(c) the assets covering the positions recorded in an account are not exposed to losses connected to positions recorded in another account.^{cx}</p> <p>For purposes of the above, assets refer to collateral held to cover positions and include the right to the transfer of assets equivalent to that collateral or the proceeds of the realization of any collateral, but does not include default fund contributions.^{cxii}</p>	<p>procedures in place to ensure that client collateral is not used for any purposes other than meeting the respective client's margin requirements / pay-ins. Brokers should also maintain records to ensure proper audit trail of use of client collateral.</p> <p>(b) Brokers should further be able to produce the aforesaid records during inspection. The records should include details of:-</p> <ol style="list-style-type: none"> 1. Receipt of collateral from client and acknowledgement issued to client on receipt of collateral 2. Client authorization for deposit of collateral with the exchange / clearing corporation / clearing house towards margin 3. Record of deposit of collateral with exchange / clearing corporation / clearing house 4. Record of return of collateral to client 5. Credit of corporate action benefits to clients <p>(c) The records should be periodically reconciled with the actual collateral deposited with the broker.</p> <p>(d) Brokers should issue a daily statement of collateral utilization to clients which shall include, inter-alia, details of collateral deposited, collateral utilised and collateral status (available balance / due from client) with break up in terms of cash, Fixed Deposit Receipts (FDRs), Bank Guarantee and securities.</p> <p>(e) In case of complaints against brokers related to misuse of collateral deposited by clients, exchanges should look into the allegations, conduct inspection of broker if required and based on its findings take necessary action.</p> <p>(f) In case client collateral is found to be misutilised, the broker would attract appropriate deterrent penalty for violation of norms provided under Securities Contract Regulation Act, SEBI Act, SEBI Regulations and circulars, Exchange Byelaws, Rules, Regulations and</p>		<p>fund contributions, or specifically require CCPs to publicly disclose a right of use with respect to margins or default fund contributions in the form of security lien.</p> <p>RBI - <i>The RBI regime for CCPs does not include segregation and portability requirements that are legally binding at a jurisdictional level. However, the internal policies, procedures, rules, models and methodologies of individual CCPs, which are out of the scope of this assessment, may contain legally binding provisions equivalent to those of EMIR.</i></p> <p>Indian CCPs under RBI's supervision are not subject to any segregation regime to distinguish between its assets and positions, its clearing members' and its clients'. The RBI regime does not require CCPs to publicly disclose the levels of protection offered, including the costs and main legal implications (including information relating to treatment on insolvency) of each level of protection or to offer those services on reasonable commercial terms. The RBI regime does not require CCPs to publicly disclose a right of use with respect to margins or default fund contributions.</p>
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	<p>circulars.</p>		
<p>Exposure management</p> <p>A CCP must measure and assess its liquidity and credit exposures to each Clearing Member and to any CCPs with which it has entered into interoperability arrangements (“Interoperable CCPs”), on a near to real-time basis.^{cxv}</p>	<p>Exposure management</p> <p><u>Regulation 37 - Agreement between stock exchange and clearing corporation.</u> This regulation provides for the clearing and settlement services offered by the recognised clearing corporation to a recognised stock exchange pursuant to an agreement in writing between them stipulating their rights and obligations, the conditions for admission of securities for clearing and settlement, risk management measures, charges for clearing and settlement and other incidental and consequential matters.</p>	<p>Exposure management</p> <p>No corresponding provisions.</p>	<p>Exposure management</p> <p>SEBI - The SEBI regime for CCPs includes exposure management requirements which are applicable, at a jurisdictional level, to CCPs in India under SEBI’s supervision, and which are broadly equivalent to those of EMIR.</p> <p>The provision related to CCP under SEBI’s supervision refers to global risk management; however SEBI regime has the same objectives as EMIR, namely to have risk management measures within the CCP.</p> <p>RBI - The RBI regime for CCPs does not include exposure management requirements that are legally binding at a jurisdictional level. However, the internal policies, procedures, rules, models and methodologies of individual CCPs, which are out of the scope of this assessment, may contain legally binding provisions equivalent to those of EMIR.</p> <p>The RBI regime does not require a CCP to assess its liquidity and credit exposure.</p>
<p>Margin requirements</p> <p>A CCP must impose, call and collect margin to limit credit exposures from</p>	<p>Margin requirements</p> <p><u>SEBI Master Circular for Stock Exchange – Equity Cash Market dated Apr 17,2013^{cxii}</u></p>	<p>Margin requirements</p> <p><u>RBI instructions</u></p>	<p>Margin requirements</p> <p>SEBI - The SEBI regime for CCPs includes margin requirements that</p>



its Clearing Members and Interoperable CCPs. Margins must cover potential exposures that the CCP estimates will occur until the liquidation of the relevant positions. They should be sufficient to cover losses that result from at least 99% of the exposures movements over an approximate time horizon and they must ensure that a CCP fully collateralizes its exposures with all its Clearing Members and Interoperable CCPs, at least on a daily basis.^{cxvi} CCPs should follow principles to adequately tailor their margin levels to the characteristics of each financial instrument or portfolio they clear.^{cxvii} CCPs must regularly monitor and if necessary revise the level of their margins to reflect market conditions taking into account any potential procyclical effects of such revisions.^{cxviii} A CCP must adopt models and parameters in setting its margin requirements that capture the risk characteristics of the products cleared and take into account the interval between margin collections, market liquidity and the possibility of changes over the duration of the transaction. The models and parameters must be validated by the Competent Authority and subject to an opinion in accordance with Article 19.^{cxix} A CCP must call and collect margins on an intraday basis, at least when predefined thresholds are exceeded. A CCP must call and collect margins that are adequate to cover the risk stemming from the positions registered in each account with respect to specific financial instruments. A

1.1 Comprehensive Risk Management Framework for the cash market

1.1.1 Overview

The core of the risk management system is the liquid assets deposited by members with the exchange/clearing corporation. These liquid assets shall cover the following four requirements:

a. **MTM (Mark To Market) Losses:** Mark to market losses on outstanding settlement obligations of the member.

b. **VaR Margins:** Value at risk margins to cover potential losses for 99% of the days.

c. **Extreme Loss Margins:** Margins to cover the expected loss in situations that lie outside the coverage of the VaR margins.

d. **Base Minimum Capital:** Capital required for all risks other than market risk (for example, operational risk and client claims).

At all points of time, the liquid assets of the member shall be adequate to cover all the above four requirements. There are no other margins in the risk management system.

1.1.3 Liquidity Categorization of Securities

The securities shall be classified into three groups based on their liquidity:

Group	Trading Frequency (over the previous six months)	Impact (over the previous six months)	Cost
Liquid Securities (Group I)	At least 80% of the days	Less than or equal to 1%	
Less Liquid Securities	At least 80% of the days	More than 1%	

CCIL must calibrate the initial margin model to bring pro-cyclicality impact into play. There is also a concept of spread margin which provides cover for non-parallel movements in rates as observed during period of stress.

RBI has not permitted portfolio margining across products cleared by CCIL.

are legally binding at a jurisdictional level. Based on a review of the legally binding requirements which are applicable, at a jurisdictional level, to CCPs in India under SEBI's supervision, these requirements are not equivalent to those of EMIR. However, the internal policies, procedures, rules, models and methodologies of individual CCPs, which are out of the scope of this assessment, may contain legally binding provisions equivalent to those of EMIR.

It is SEBI prescribing the risk models and not CCP models which are subject to the validation of SEBI so there is no rule about CCPs revising their models. The SEBI regime does not foresee intraday margin collection. An Indian CCP under SEBI's supervision is not specifically required to calculate IM using historical volatility data from at least the latest 12-month period, which must capture a full range of market conditions, including periods of stress. The SEBI regime does not specify minimum liquidation times based on the specific characteristics of particular products or portfolios. An Indian CCP under SEBI's supervision is not required to have a theoretical basis or a statistical correlation for portfolio margining. An Indian CCP under SEBI's supervision is not required to take into account the procyclical effects of revisions to their margin levels and an Indian CCP under SEBI's supervision is not specifically required to ensure



CCP may calculate margins with respect to a portfolio of financial instruments provided that the methodology used is prudent and robust.^{cxix}

The initial margin (“IM”) to be required by a CCP is defined as the amount of margin necessary to cover the exposures arising from market movements for each financial instrument margined on a product basis, expected to occur, based on data from an appropriate look back period, with a specified confidence interval and assuming a specified time period for the liquidation of positions (as all defined below).^{cxix}

Percentage. When calculating IM, a CCP must use at least the following minimum confidence intervals: (i) for OTC derivatives, 99.5%; and (ii) for other financial instruments, 99%.^{cxix} All classes of financial instruments are also subject to a criteria-based approach that could increase the required confidence interval. The criteria-based approach should take into account factors including: (i) the complexities and level of pricing uncertainties of the class of financial products; (ii) the risk characteristics of the class (including volatility, duration, liquidity, non-linear price characteristics, jump to default risk and wrong way risk); (iii) the degree to which other risk controls do not adequately limit credit exposure; and (iv) the inherent leverage of the class of financial instrument (including volatility, concentration and difficulties in closing out).^{cxix}

However, CCPs may apply an alternative confidence interval of 99%

(Group II)		
Illiquid Securities (Group III)	Less than 80% of the days	N/A

1.1.7 Mark to Market Losses

Mark to Market Losses shall be collected in the following manner:

- a. The Stock Exchanges shall collect the mark to market margin (MTM) from the member/broker before the start of the trading of the next day.
- b. The MTM margin shall also be collected/adjusted from/against the cash/cash equivalent component of the liquid net worth deposited with the Exchange.
- c. The MTM margin shall be collected on the gross open position of the member. The gross open position for this purpose would mean the gross of all net positions across all the clients of a member including his proprietary position. For this purpose, the position of a client would be netted across his various securities and the positions of all the clients of a broker would be grossed. Further, there would be no netting across two different settlements.
- d. There would be no netting off the positions and setoff against MTM profits across 2 rolling settlements i.e. T day and T-1 day. However, for computation of MTM profits/losses for the day, netting or setoff against MTM profits would be permitted.
- e. The margin so collected shall be released along with the pay-in, including early pay-in of securities.

VaR Margin

1.1.8 Computation of VaR Margin

The VaR Margin is a margin intended to cover the largest loss that can be encountered on 99% of the days (99% Value at Risk). For liquid stocks, the

that its policy for selecting and revising the confidence interval, liquidation period (which is different under SEBI regime and EMIR) and look back period deliver stable and prudent margin requirements that limit procyclicality to the extent the soundness and financial security of the CCP is not affected..

An Indian CCP under SEBI’s supervision is not specifically required to have its margin models reviewed and validated by a qualified and independent party.

***RBI** - The RBI regime for CCPs includes margin requirements. Based on a review of the legally binding requirements which are applicable, at a jurisdictional level, to CCPs in India under RBI’s supervision, these requirements are not equivalent to those of EMIR. However, the internal policies, procedures, rules, models and methodologies of individual CCPs, which are out of the scope of this assessment, may contain legally binding provisions equivalent to those of EMIR.*

An Indian CCP under RBI’s supervision is not required to impose, call and collect adequate margin to limit its credit exposure based on the characteristics of each financial instrument or portfolio.

The RBI regime does not subject models and parameters to the validation of national competent authorities

The RBI regime does not foresee intraday margin collection.



<p>to OTC derivatives that have the same risk characteristics as derivatives executed on a regulated market or equivalent third country market, provided that the risks of the OTC derivatives contracts cleared are appropriately mitigated, taking into account the criteria listed above.^{cxv} CCPs must inform the Competent Authority and their Clearing Members of the criteria used to determine the margin percentage for each class of financial instruments.</p> <p>Time horizon for the calculation of historical volatility. A CCP must calculate IM using historical volatility data from at least the latest 12-month period, which must capture a full range of market conditions, including periods of stress. CCPs may decide how different observations are weighted in the model and may use other look back periods, provided that they result in IMs which are at least as high as those which would be required under the prescribed period. Margin parameters for financial instruments without historical observation period must be based on conservative assumptions.^{cxv}</p> <p>Time horizons for the liquidation period. The liquidation period used to calculate IM must be at least: (i) for OTC derivatives, 5 business days; and (ii) for other financial instruments, 2 business days, it being specified that the CCP must take into account relevant criteria (including characteristics of the financial instruments, markets where they are traded, period for calculation and collection of margin).^{cxvi} However, CCPs may use an</p>	<p>margin covers one-day losses while for illiquid stocks, it covers three-day losses so as to allow the clearing corporation to liquidate the position over three days.</p> <p>This leads to a scaling factor of square root of three for illiquid stocks.</p> <p>For liquid stocks, the VaR margins are based only on the volatility of the stock while for other stocks, the volatility of the market index is also used in the computation.</p> <p>1.1.9 Collection of VaR Margin</p> <p>a. The VaR margin shall be collected on an upfront basis by adjusting against the total liquid assets of the member at the time of trade. Collection on T+1 day is not acceptable.</p> <p>b. The VaR margin shall be collected on the gross open position of the member. The gross open position for this purpose would mean the gross of all net positions across all the clients of a member including his proprietary position.</p> <p>c. For this purpose, there would be no netting of positions across different settlements.</p> <p>d. The VaR margin so collected shall be released along with the pay-in, including early pay-in of securities.</p> <p>1.1.11 Extreme Loss Margin</p> <p>The term Extreme Loss Margin replaces the terms “exposure limits” and “second line of defence” that have been used hitherto. It covers the expected loss in situations that go beyond those envisaged in the 99% value at risk estimates used in the VaR margin.</p> <p>a. The Extreme Loss Margin for any stock shall be higher of:</p> <ul style="list-style-type: none"> <input type="checkbox"/> 5%, and <input type="checkbox"/> 1.5 times the standard deviation of daily logarithmic returns of the stock price in the last six months. This computation shall be done at the end of each month by taking the price data on a rolling basis for the past six months and the 		<p>An Indian CCP under RBI's supervision is not specifically required to calculate IM using historical volatility data from at least the latest 12-month period, which must capture a full range of market conditions, including periods of stress.</p> <p>The RBI regime does not specify minimum liquidation times based on the specific characteristics of particular products or portfolios.</p> <p>An Indian CCP under SEBI's supervision is not required to have a theoretical basis or a statistical correlation for portfolio margining.</p> <p>Indian CCP supervise by the RBI is not specifically required to ensure that its policy for selecting and revising the confidence interval, liquidation period and look back period deliver stable and prudent margin requirements that limit procyclicality to the extent the soundness and financial security of the CCP is not affected..</p> <p>An Indian CCP under RBI's supervision is not specifically required to call and collect margins on an intraday basis when predefined thresholds are exceeded.</p> <p>An Indian CCP under RBI's supervision is not specifically required to have its margin models reviewed and validated by a qualified and independent party, or by Indian authorities.</p>
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<p>alternative liquidation period of at least 2 business days for OTC derivatives that have the same risk characteristics as derivatives executed on regulated market or equivalent third country market, provided that it can prove to its competent authority that such a period would be more appropriate in view of the specific features of the relevant OTC derivative. ^{exxvii} In all cases, for the determination of the appropriate liquidation period, the CCP must evaluate and sum at least (i) the longest period that may elapse from the last collection of margins up to the declaration of default or activation of default management process by the CCP and (ii) the estimated period needed to design and execute the strategy for the management of default of a Clearing Member according to the characteristics of each class of financial instruments and (iii) where applicable, the period needed to cover the counterparty risk to which the CCP is exposed.</p> <p>Portfolio margining. A CCP may allow for offsets or reductions to the required margin across financial instruments cleared by the CCP if the price risk of one or a set of instruments is significantly and reliably correlated, or based on equivalent statistical parameters of dependence, with other instruments. The CCP must document its approach on portfolio margining and must at least establish that the relevant correlation is reliable over the relevant look back period and demonstrates resilience over stressed scenarios. The maximum reduction is 80% of the difference between (i) the sum of</p>	<p>resulting value shall be applicable for the next month.</p> <p>b. The Extreme Loss Margin shall be collected/adjusted against the total liquid assets of the member on a real time basis.</p> <p>c. The Extreme Loss Margin shall be collected on the gross open position of the member. The gross open position for this purpose would mean the gross of all net positions across all the clients of a member including his proprietary position.</p> <p>d. For this purpose, there would be no netting of positions across different settlements.</p> <p>e. The Extreme Loss Margin so collected shall be released along with the pay-in.</p> <p>1.1.16 Additional Margins Exchanges/clearing corporations have the right to impose additional risk containment measures over and above the risk containment system mandated by SEBI. However, the Stock Exchanges should keep the following three factors in mind while taking such action:</p> <p>a. Additional risk management measures (like ad-hoc margins) would normally be required only to deal with circumstances that cannot be anticipated or were not anticipated while designing the risk management system. If ad-hoc margins are imposed with any degree of regularity, exchanges should examine whether the circumstances that give rise to such margins can be reasonably anticipated and can therefore be incorporated into the risk management system mandated by SEBI. Exchanges are encouraged to analyse these situations and bring the matter to the attention of SEBI for further action.</p> <p>b. Any additional margins that the exchanges may impose shall be based on objective criteria and shall not discriminate between members on the basis of subjective criteria.</p> <p>c. Transparency is an important regulatory goal and therefore every effort must be made to</p>		
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the IMs for each instrument calculated on an individual basis and (ii) the IM calculated based on a combined estimation of the exposure for the combined portfolio. Where a CCP is not exposed to any potential risk from the margin reduction, it may apply a reduction of up to 100% of this difference.^{cxviii}

Procyclicality. A CCP must ensure that its policy for selecting and revising the confidence interval, liquidation period and look back period deliver stable and prudent margin requirements that limit procyclicality to the extent the soundness and financial security of the CCP are not affected. A CCP must choose from a menu of margin-setting options to address procyclicality risks: (i) applying a margin buffer of at least 25% that the CCP allows to be temporarily exhausted in periods where IM requirements are rising significantly; (ii) assigning at least a 25% weight to stressed observations in the look back period; and (iii) ensuring that the CCP's IM requirements are not lower than those that would be calculated using a volatility estimated over a ten-year historical look back period.^{cxvix}

make the risk management systems fully transparent by disclosing their details to the public.

SEBI Master Circular on matter relating to Exchange Traded Derivatives dated Apr 01,2013^{cv}

The circular prescribes risk management framework for various derivatives products. The same for Index Futures is given below:

1.2.4 Initial Margin Computation

The Initial Margin requirements are based on worst scenario loss of a portfolio of an individual client to cover 99% VaR over one day horizon across various scenarios of price changes and volatility shifts. For Index products, the price scan range is specified at three standard deviation (3 sigma) and the volatility scan range is specified at 4%. The Exponential Weighted Moving Average method (EWMA) shall be used to obtain the volatility estimate every day. For Index products the price scan range is specified at three standard deviation (3 sigma) and the volatility scan range is specified at 4%. The estimate at the end of day t (σ_t) is estimated using the previous volatility estimate, i.e., as at the end of t-1 day (t-1), and the return (r_t) observed in the futures market during day t.

The margins for 99% VaR should be based on three sigma limits (three times the standard deviation). The "return" is defined as the logarithmic return: $r_t = \ln (I_t/I_{t-1})$ where I_t is the index futures price at time t. The plus/minus three sigma limits for a 99% VaR based on logarithmic returns would have to be converted into percentage price changes by reversing the logarithmic transformation. The percentage margin on short positions would be equal to $100(\exp (3 \square t)-1)$ and the percentage margin on long positions would be

equal to $100(1 - \exp(-3\sigma t))$. This implies slightly larger margins on short positions than on long positions.

The derivatives exchange / clearing corporation may apply the higher margin on both the buy and sell side.

There is also a minimum margin requirement. For index futures contracts it is specified that in no case the initial margin shall be less than 5% of the value of the contract.

1.2.5 Margins for Calendar Spreads
 A calendar spread is a situation in which a position at one maturity is hedged by an offsetting position at a different maturity on the same underlying, e.g., a short position in six months contract hedged by a long position in nine month contract. The margin on calendar spreads shall be at a flat rate of 0.5% per month of spread on the far month contract subject to a minimum margin of 1% and a maximum margin of 3% on the far side of the spread.

1.2.7 Real Time Computation
 The computation of Worst Scenario Loss has two components. The first is the valuation of the portfolio under sixteen scenarios. At the second stage, these Scenario Contract Values are applied to the actual portfolio positions to compute the portfolio values and the initial margin (Worst Scenario Loss). For computational ease, exchanges are permitted to update the Scenario Contract Values only at discrete time points each day and the latest available Scenario Contract Values would be applied to member/client portfolios on a real time basis.

3.2.4 For the purpose of computing worst scenario loss on a portfolio, **the price scan range for stock option and single stock**

future contracts shall be linked to liquidity, measured in terms of impact cost for an order size of Rs.5 Lakh, calculated on the basis of order book snapshots in the previous six months. Accordingly, **if the mean value of impact cost exceeds 1%, the price scanning range would be scaled up by square root of three. This would be in addition to the requirement of scaling up for the lookahead period i.e. the time in which mark to market margin is collected.** The guidance for computation of impact cost for an order size of Rs.5 Lakhs is asunder:-

Impact cost shall be calculated by taking four snapshots in a day from the order book in the past six months. These four snapshots shall be randomly chosen from within four fixed ten-minutes windows spread through the day. The impact cost shall be the percentage price movement caused by an order size of Rs.5 Lakh from the average of the best bid and offer price in the order book snapshot. The impact cost shall be calculated for both, the buy and the sell side in each order book snapshot.

The mean of the impact cost for both the buy and the sell side in each order book snapshot in the past six months shall be computed to determine the applicable price scan range in the stock. The details of calculation methodology and relevant data shall be made available to the public at large through the website of the Exchanges. The mean impact cost shall be calculated at 15th of each month on a rolling basis considering the order book snapshots of the previous six months. If the mean impact cost or a stock moves from less than or equal to 1% to more than 1%, the price scan range in such stock should be scaled up by square root of three and the scaling should be dropped when the impact cost drops to 1% or less. Such changes will be applicable on all existing open position



within three days from the 15th of each month.

Default fund

SECC^{xxxxi}
Regulation 39

- (1) Every recognised clearing corporation shall establish and maintain a Fund by whatever name called, for each segment, to guarantee the settlement of trades executed in respective segment of a recognised stock exchange.
- (2) The Settlement Guarantee Fund or the Trade Guarantee Fund of an existing recognised stock exchange shall be transferred to the recognised clearing corporation to which the clearing and settlement functions of the stock exchange are transferred.
- (3) Till such time the Fund is transferred under sub-regulation (2), it shall be utilized only for the purposes of meeting settlement obligations as specified by SEBI and as per the byelaws of the recognised stock exchange.
- (4) An existing clearing corporation shall continue to utilize its Settlement Guarantee Fund or Trade Guarantee Fund after its recognition under these regulations.
- (5) In the event of a clearing member failing to honour his settlement obligations, the Fund shall be utilized to complete the settlement.
- (6) The corpus of the Fund shall be adequate to meet the settlement obligations arising on account of failure of clearing member(s).
- (7) The sufficiency of the corpus of the Fund shall be tested by way of periodic stress tests, in the manner specified by SEBI.
- (8) The contribution and utilization of the Fund shall be in accordance with the norms specified by SEBI.

SEBI Cir SMD/POLICY/SGF/CIR-13/97^{xxxxvi}
dated June 09, 1997 on “Guidelines for Settlement Guarantee Fund (SGF) at

Default fund

A CCP must maintain a pre-funded default fund to cover losses that exceed those losses to be covered by margin requirements arising from the default (including insolvency procedure) of one or more Clearing Members. A CCP must establish (i) a minimum amount below which the size of the default fund may not fall in any circumstances, and (ii) a minimum size and criteria to determine Clearing Member contributions to the default fund, which must be proportionate to the exposures of each Clearing Member.^{xxxx} The default fund must enable to the CCP to withstand, under extreme but plausible market conditions, the default of (i) the Clearing Member to which it has the largest exposure, or (ii) the Clearing Members to which it has the second and third largest exposures, if the sum of their exposures is greater. A CCP must develop scenarios of extreme but plausible market conditions, which take into account past volatility and scenarios of sudden sales of financial resources and rapid reductions in market liquidity.^{xxxxi} A CCP may establish more than one default fund for the different classes of financial instruments that it clears.^{xxxxii}

Framework and governance. In order to determine the minimum size of default fund, a CCP must implement an internal policy framework for defining the types of extreme but plausible market conditions that could expose it to the greatest risk.^{xxxxiii}

Default fund

No corresponding provisions.

Default fund

SEBI - The SEBI regime for CCPs includes default fund requirements. Based on a review of the legally binding requirements which are applicable, at a jurisdictional level, to CCPs in India under SEBI's supervision, these requirements are not equivalent to those of EMIR. However, the internal policies, procedures, rules, models and methodologies of individual CCPs, which are out of the scope of this assessment, may contain legally binding provisions equivalent to those of EMIR.

An Indian CCP under SEBI's supervision is not required to maintain pre-funded financial resources sufficient to meet its financial obligations to its clearing members notwithstanding a default by the clearing member creating the largest financial exposure for the CCP or the default of the clearing members to which it has the second and third largest exposures, if the sum of their exposures is greater than the clearing member to which it has the largest exposure.

An Indian CCP under SEBI's supervision is not specifically required to define the types of extreme but plausible market conditions that would expose it to the greatest risk or to perform stress testing that will allow it to make a reasonable calculation of the financial resources needed to meet its financial resources requirement.



Identifying extreme but plausible market conditions.

This framework must:

- (a) reflect the risk profile of the CCP, taking into account cross-border and cross-currency exposures;
- (b) identify the market risks to which a CCP would be exposed following the default of one or more Clearing Members for all relevant markets;
- (c) reflect additional risks to the CCP arising from the simultaneous failure of entities in the same group as the Defaulting Clearing Member;
- (d) individually identify all of the markets to which a CCP is exposed in a Clearing Member default scenario, and for each identified market specify extreme but plausible conditions based on (i) a range of historical scenarios, including periods of extreme market movements observed over the previous 30 years (or as long as reliable data is available); and (ii) a range of potential future scenarios, considering the extent to which extreme price movements could occur on multiple markets simultaneously.^{cxxxiv}

Reviewing extreme but plausible scenarios. The framework must be discussed by the risk committee, approved by the board and subject to review at least annually and more frequently if justified by market developments or material changes to the contracts cleared by the CCP. Material changes to the framework must be reported to the board.^{cxxxv}

Stock Exchanges”

Corpus of the fund

The corpus of the fund should be adequate to meet out all the contingencies arising on account of failure of any member/members. The risk/liability to the fund depends on various factors such as trade volume, delivery percentage, maximum settlement liability of the members, the history of defaults at the exchange, capital adequacy of the members, and the degree of surveillance and safety measures i.e. imposition of mark to market margins, trade restrictions etc., implemented by the exchange. A fixed formula, therefore, cannot be prescribed to estimate the risk/liability of the fund. However, in order to assess the fair quantum of the corpus of SGF, an assessment on the following factors prevailing at the particular Stock Exchange may be necessary:

- (i) Risk Management system in force at the Exchange
The extent of implementation of various margins systems and the level of threshold limits.
 - The percentage of margins (paid by the members) to their pay-in liabilities
 - Control on off-market transactions
 - Capital adequacy of members (Base minimum capital and the additional capital deposited with the Exchange)
 - The effectiveness of the surveillance system at the Exchange.
 - Minimum expenses limit fixed by the Exchange.
- (ii) The track record of defaults of members (Gross amount of default and the net amount) in the last 10 years.
- (iii) The track record of disciplinary action for financial defaults taken by the Exchange in the last 10 years
- (iv) The settlement liability of the top 10 members

The SEBI regime does not specifically require a CCP’s board to annually or more frequently review its minimum financial resources framework.

RBI - The RBI regime for CCPs does not include default fund requirements that are legally binding at a jurisdictional level. However, the internal policies, procedures, rules, models and methodologies of individual CCPs, which are out of the scope of this assessment, may contain legally binding provisions equivalent to those of EMIR.

An Indian CCP under RBI’s supervision is not required to maintain pre-funded financial resources sufficient to meet its financial obligations to its clearing members notwithstanding a default by the clearing member creating the largest financial exposure for the CCP or the default of the clearing members to which it has the second and third largest exposures, if the sum of their exposures is greater than the clearing member to which it has the largest exposure.

An Indian CCP under RBI’s supervision is not specifically required to define the types of extreme but plausible market conditions that would expose it to the greatest risk or to perform stress testing that will allow it to make a reasonable calculation of the financial resources needed to meet its financial resources requirement.

The RBI regime does not specifically require a CCP’s board to annually or more frequently review its minimum

	<p>(settlement liability wise) in the highest settlement in the last 1 year..</p> <p>(v)Implementation of suggestions made in SEBI Inspection Reports by the Stock Exchange.</p> <p>(vi)The projected volume of business and deliveries at the Exchange for the next three years.</p> <p>A realistic assessment on the adequacy of the above factors relating to the particular Stock Exchange need to be made. In case of any deficiency / non-satisfactory level of performance of the Exchange, the expected level of risk/liability to the SGF will increase and accordingly it will require a higher level of corpus.</p> <p>Further in order to assess the minimum level of corpus of SGF, the following norms may be considered:</p> <ul style="list-style-type: none"> • It may be assumed that in a worst case, the top ten members (highest settlement in last one year settlement liability-wise) of the exchange would default simultaneously in a settlement. • It may be assumed that there will be a maximum loss of 20% in the value on the net basis in the process of reversing the trade or squaring off the position. • The loss may be assumed to be recovered from the following sources : <ul style="list-style-type: none"> ○ Margins deposited with the Exchange. ○ The short fall will be first met from Income of the SGF (interest on deposits and recurring sources such as the turnover based contributions from members etc). ○ The, balance, shortfall, if any might be recovered from the corpus of SGF. <p>In the normal course, the total income from the interest earned on cash portions of the corpus of SGF and other recurring contributions to SGF by member should be adequate to take care of the unexpected liability as per (b) above, For example if the total loss on settlement liabilities of the top ten brokers is Rs 2 Crores in a particular settle-</p>		<p>financial resources framework.</p>
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ment, income generation from the fund (including recurring income) should not be less than Rs 2 Crores p.a.

Other financial resources

A CCP must maintain sufficient pre-funded available financial resources (“pre-funded financial resources”) to cover potential losses that exceed losses to be covered by margin requirements and the default fund. The combination of a CCP’s default fund and pre-funded financial resources must be sufficient to cover the default of the two Clearing Members to which it has the largest exposure under extreme but plausible market conditions. Pre-funded financial resources must include dedicated resources of the CCP, must be freely available to the CPP and may not be used to meet a CCP’s regulatory capital requirements under EMIR, Art. 16.^{cxvii}

A CCP may require a non-defaulting Clearing Member to provide additional funds in the event of a default of another Clearing Member. The Clearing Members of a CCP must have limited exposure to the CCP.^{cxviii}

Other financial resources

Regulation 33 - Transfer of profits.
Every recognised stock exchange shall credit twenty five per cent. of its profits every year to the Fund as specified in regulation 39, of the recognised clearing corporation(s) which clears and settles trades executed on that stock exchange.

Other financial resources

No corresponding provisions.

Other financial resources

SEBI - The SEBI regime for CCPs includes other financial resources requirements. Based on a review of the legally binding requirements which are applicable, at a jurisdictional level, to CCPs in India under SEBI’s supervision, these requirements are not equivalent to those of EMIR. However, the internal policies, procedures, rules, models and methodologies of individual CCPs, which are out of the scope of this assessment, may contain legally binding provisions equivalent to those of EMIR.

An Indian CCP under SEBI’s supervision is not required to maintain pre-funded financial resources to cover the default of the two clearing members having the largest exposure under extreme but plausible market conditions available to the CCP and not used to meet regulatory capital requirements. The SEBI regime does not require that clearing members have limited exposure to an Indian CCP under SEBI’s supervision.

RBI - The RBI regime for CCPs does not include other financial resources requirements that are legally binding at a jurisdictional level. However, the internal policies, procedures, rules,



			<p><i>models and methodologies of individual CCPs, which are out of the scope of this assessment, may contain legally binding provisions equivalent to those of EMIR.</i></p> <p>An Indian CCP under RBI's supervision is not required to maintain pre-funded financial resources to cover the default of the two clearing members having the largest exposure under extreme but plausible market conditions available to the CCP and not used to meet regulatory capital requirements.</p> <p>The RBI regime does not require that clearing members have limited exposure to an Indian CCP under RBI's supervision.</p>
<p>Liquidity risk controls</p> <p>A CCP must at all times have access to adequate liquidity to perform its services and activities.^{cxviii} To this effect, it must obtain the necessary credit lines or similar arrangements to cover its liquidity needs in case the financial resources at its disposal are not immediately available. A CCP must measure its potential liquidity needs daily, taking into account the liquidity risk generated by the default of at least the two Clearing Members to which it has the largest exposures.^{cxl} A CCP must establish a robust liquidity risk management framework to identify measure and monitor its settlement and funding flows, including its use of intraday liquidity. The CCP's liquidity risk management</p>	<p>Liquidity risk controls</p> <p>No corresponding provisions.</p>	<p>Liquidity risk controls</p> <p>No corresponding provisions.</p>	<p>Liquidity risk controls</p> <p>SEBI - <i>The SEBI regime for CCPs does not include liquidity risk controls requirements that are legally binding at a jurisdictional level. However, the internal policies, procedures, rules, models and methodologies of individual CCPs, which are out of the scope of this assessment, may contain legally binding provisions equivalent to those of EMIR.</i></p> <p>The SEBI regime does not require CCPs to establish a robust liquidity risk management framework that includes the assessment of potential future liquidity needs under a wide range of stress scenarios or the liquidity risk generated by its investment policy in extreme but plausible conditions.</p>



<p>framework must ensure with a high level of confidence that the CCP is able to effect payment and settlement obligations in all relevant currencies as they fall due, including where appropriate intraday.</p> <p>Assessment of liquidity risk. The framework should also include: (i) the assessment of potential future liquidity needs under a wide range of stress scenarios, including the default of the two Clearing Members to which it has the largest exposure from the date of default until the end of the liquidation period; and (ii) the liquidity risk generated by its investment policy in extreme but plausible conditions.^{cxli}</p> <p>The framework must include a liquidity plan approved by the board after consultation of the risk committee containing procedures relating to the monitoring and management of liquidity risk (including inter alia identification of sources of liquidity risk, daily assessment and valuation of liquid assets to cover liquidity needs, assessing timescales over which liquid financial resources should be available, processes in the event of liquidity shortfalls, etc.).</p> <p>The CCP should assess the liquidity risk it faces including where the CCP or its Clearing Members cannot settle their payment obligations when due as part of the clearing or settlement process, taking also into account the CCP's investment activities. The risk management framework must address the liquidity needs stemming from the CCP's relationship with any entity towards which the CCP has a liquidity</p>			<p>An Indian CCP under SEBI's supervision is not required to assess the liquidity risk it faces where it or its clearing members cannot settle their payment obligations when due.</p> <p>An Indian CCP under SEBI's supervision is not required to measure its liquidity needs by taking into account a default by the two clearing members to which it has the largest exposures.</p> <p>The SEBI regime does not require a CCP to have a liquidity plan approved by the board after consultation with the risk committee.</p> <p>The SEBI regime does not require a CCP to address the liquidity needs stemming from the CCP's relationship with any entity towards which the CCP has a liquidity exposure.</p> <p>The SEBI regime does not require a CCP to maintain, in each relevant currency, liquid resources commensurate with its liquidity requirements.</p> <p>An Indian CCP under SEBI's supervision is not required to monitor the concentration of its liquidity risk exposure or to apply exposure or concentration limits.</p> <p>RBI - <i>The RBI regime for CCPs does not include liquidity risk controls requirements that are legally binding at a jurisdictional level. However, the internal policies, procedures, rules, models and methodologies of individual CCPs, which are out of the scope of this assessment, may contain legally binding provisions equivalent to those of EMIR.</i></p>
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<p>exposure, including settlement banks, payment systems, securities settlement systems, liquidity providers, custodian banks, etc. as well as interdependencies between such entities.</p> <p>Access to liquidity. A CCP must maintain, in each relevant currency, liquid resources commensurate with its liquidity requirements, which are limited to: (i) cash deposited at a central bank; (ii) cash deposited at authorised credit institutions; (iii) committed lines of credit with non-Defaulting Clearing Members; (iv) committed repurchase agreements; and (v) highly marketable financial instruments which can demonstrably be converted into cash on a same-day basis including in stressed market conditions.^{exlii}</p> <p>Concentration risk. A CCP must closely monitor the concentration of its liquidity risk exposure, and the framework should include the application of exposure and concentration limits.^{exliii}</p>			<p>The RBI regime does not require CCPs to establish a robust liquidity risk management framework that includes the assessment of potential future liquidity needs under a wide range of stress scenarios or the liquidity risk generated by its investment policy in extreme but plausible conditions.</p> <p>An Indian CCP under RBI's supervision is not required to assess the liquidity risk it faces where it or its clearing members cannot settle their payment obligations when due.</p> <p>An Indian CCP under RBI's supervision is not required to measure its liquidity needs by taking into account a default by the two clearing members to which it has the largest exposures.</p> <p>The RBI regime does not require a CCP to have a liquidity plan approved by the board after consultation with the risk committee.</p> <p>The RBI regime does not require a CCP to address the liquidity needs stemming from the CCP's relationship with any entity towards which the CCP has a liquidity exposure.</p> <p>The RBI regime does not require a CCP to maintain, in each relevant currency, liquid resources commensurate with its liquidity requirements.</p> <p>An Indian CCP under RBI's supervision is not required to monitor the concentration of its liquidity risk exposure or to apply exposure or concentration limits.</p>
<p>Default waterfall</p> <p>Losses caused by the default of a</p>	<p>Default waterfall</p> <p><u>Regulation 33 (Transfer of profits):</u></p>	<p>Default waterfall</p> <p>No corresponding provisions.</p>	<p>Default waterfall</p> <p><i>The SEBI regime for CCPs includes</i></p>

<p>Clearing Member (a “Defaulting Clearing Member”) should be covered by, in order: (i) the margins posted by the Defaulting Clearing Member; (ii) the default fund contribution of the Defaulting Clearing Member; (iii) the CCP’s dedicated financial resources; and (iv) the default fund contributions of other Clearing Members (the “default waterfall”). A CCP must use its own dedicated resources before using the default fund contributions of non-defaulting Clearing Members and may not use margin posted by non-defaulting Clearing Members to cover losses caused by a Defaulting Clearing Member.^{cxliiv}</p> <p>Calculation of the amount of the CCP’s own resources to be used in the default waterfall. A CCP must keep, and indicate separately in its balance sheet, an amount of dedicated financial resources for the purposes of item (iii) of the default waterfall. This amount should at least equal 25% of the CCP’s minimum capital (including retained earnings and reserves) pursuant to EMIR, Art. 16.^{cxlv} This amount will be revised on a yearly basis. Where the CCP has established more than one default fund for the different classes of financial instruments it clears, the total dedicated own resources must be allocated to each default fund in proportion to its size, to be separately indicated in the balance sheet and used for defaults arising in the relevant market segments. No resources other than capital can be used to comply with this requirement.</p> <p>Maintenance of the amount of the CCP’s own resources to be</p>	<p>It set out that every stock exchange shall credit twenty five per cent. of its profits every year to the SGF as specified in regulation 39, of the Clearing Corporation(s) which clears and settles trades executed on that stock exchange.</p> <p>SEBI Circular SEBI/MRD/SE/SK/Cir- 41 /2003^{cxlvii} dated October 28, 2003 prescribed model Bye-laws which, inter-alia, includes default waterfall:</p> <p>12.8 Utilisation in Case of Failure to Meet Settlement Obligations or on Declaration of Defaulter: Whenever a clearing member fails to meet his settlement obligations to the Clearing Corporation or the Exchange arising out of the transactions, as may be provided in these Bye-Laws and Regulations from time to time, or whenever a clearing member is declared a defaulter, the Relevant Authority may utilise the Settlement Guarantee Fund and other moneys of the clearing member to the extent necessary to fulfil the obligations in the following order:</p> <p>12.8.1 any amount that may have been paid in the form of margin or any other money, other than bank guarantees or letters of credit, deposited with or retained by the Clearing Corporation or the Exchange for the purpose of meeting the clearing and settlement obligations;</p> <p>12.8.2 the proceeds, if any, recovered from disposal of any security or securities, other than those deposited towards base minimum capital and/or additional base capital by the clearing member with the Clearing Corporation or the Exchange,</p> <p>12.8.3 any contribution or deposit made towards additional base capital to the Settlement Guarantee Fund, in the form of cash or fixed deposit receipts or securities;</p> <p>12.8.4 any amount that may have been paid towards margin in the form of bank guarantees or letters of credit, and deposited with the Clearing</p>		<p><i>other default waterfall requirements. Based on a review of the legally binding requirements which are applicable, at a jurisdictional level, to CCPs in India under SEBI’s supervision, these requirements are not equivalent to those of EMIR. However, the internal policies, procedures, rules, models and methodologies of individual CCPs, which are out of the scope of this assessment, may contain legally binding provisions equivalent to those of EMIR.</i></p> <p>An Indian CCP under SEBI’s supervision is not required to include a prescribed amount of its own resources as part of the default waterfall. An Indian CCP under SEBI’s supervision is not required to report if its dedicated financial resources fall below the required amount.</p> <p>RBI - The RBI regime for CCPs does not include default waterfall requirements that are legally binding at a jurisdictional level. However, the internal policies, procedures, rules, models and methodologies of individual CCPs, which are out of the scope of this assessment, may contain legally binding provisions equivalent to those of EMIR.</p> <p>An Indian CCP under RBI’s supervision is not required to apply any specific default waterfall or to include a prescribed amount of its own resources as part of the default waterfall. An Indian CCP under RBI’s</p>
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<p>used in the default waterfall. A CCP must immediately inform its CCPs Competent Authority if the amount of dedicated financial resources falls below the required amount, together with the reason for the breach and a description of the measures to be taken to remedy the breach (which must be remedied within one month).^{cxlvi}</p>	<p>Corporation or the Exchange; 12.8.5 any amount that may have been deposited towards additional base capital in the form of bank guarantees or letters of credit with the Clearing Corporation or the Exchange; 12.8.6 any amount that may have been deposited towards base minimum capital in the form, other than bank guarantees, with the Clearing Corporation or the Exchange; 12.8.7 any amount that may have been deposited towards base minimum capital in the form of bank guarantees with the Clearing Corporation or the Exchange; 12.8.8 the amount lying to the credit of the defaulter with the Exchange to the extent not appropriated by the Exchange towards the obligations of the defaulter to it; 12.8.9 the proceeds, if any, recovered from auctioning or disposing of the trading membership right vested in the Exchange, subject to deduction of the expenses relating or incidental to the auction or disposal, as the case may be; 12.8.10 the fines, penalties, penal charges, interest on delayed payments, interest or other income, if any, earned by investment or disinvestment of the Settlement Guarantee Fund or interest earned on margin moneys that form part of the Settlement Guarantee Fund to the extent, as may be decided by the Clearing Corporation or the Exchange; 12.8.11 the profits available for appropriation in the Settlement Guarantee Fund in the year in which the clearing member is declared a defaulter; 12.8.12 the retained earnings of the Clearing Corporation or the Exchange to the extent available; 12.8.13 the amount of contribution and/or deposit made towards base minimum capital by all categories of clearing members to the Settlement Guarantee Fund in proportion to the total contribution and/or deposit made by each clearing member, Note: The Relevant Authority may, at its discretion, alter the order of utilization</p>		<p>supervision is not required to report if its dedicated financial resources fall below the required amount.</p>
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of the Settlement Guarantee Fund from time to time.
 12.8.14 If the cumulative amount under all the above heads is not sufficient, the balance obligations shall be assessed against all the clearing members in the same proportion as their total contribution and deposit towards base minimum capital, and the clearing members shall be required to contribute or deposit the deficient amount in the Settlement Guarantee Fund within such time, as the Relevant Authority may specify in this behalf from time to time.

Collateral requirements

A CCP must only accept highly liquid collateral with minimal credit and market risk to cover initial and on-going exposure to its Clearing Members. Bank guarantees may be posted as collateral by non-financial counterparties, provided that the CCP takes such guarantees into account when calculating exposure to a bank that is a Clearing Member. A CCP must apply adequate haircuts to reflect the potential for collateral's value to decline over the interval between their last revaluation and the time by which they can be liquidated, taking into account the liquidity risk that may follow the default of a market participant and the concentration risk on certain assets.^{cxlviii}

General policies and valuing collateral. A CCP may accept as collateral, where appropriate and sufficiently prudent, the underlying asset of a derivative contract or the financial instrument that generates the CCP exposure. A CCP must establish and implement transparent policies to

Collateral requirements

SEBI Master Circular for Stock Exchange – Equity Cash Market dated Apr 17,2013^{cxii}

**COMPREHENSIVE RISK MANAGEMENT
 1.1.2 Liquid Assets**

The acceptable liquid assets and the applicable haircuts are listed below:

Type of collateral	Haircut	Limits
Cash Equivalents		
Cash	0	No limit
Bank fixed deposits	0	No limit
Bank guarantees	0	Limit on exchange exposure to a single bank
Securities of the Central Government	10%	No limit

Collateral requirements

No corresponding provisions.

Collateral requirements

SEBI - The SEBI regime for CCPs includes collateral requirements. Based on a review of the legally binding requirements which are applicable, at a jurisdictional level, to CCPs in India under SEBI's supervision, these requirements are not equivalent to those of EMIR. However, the internal policies, procedures, rules, models and methodologies of individual CCPs, which are out of the scope of this assessment, may contain legally binding provisions equivalent to those of EMIR.

SEBI regime does not specify a criteria-based approach to determine whether assets are highly liquid. The SEBI regime does not address whether CCPs may accept as collateral the underlying asset of a derivative contract or the financial instrument that generates the CCP exposure. The SEBI regime does not require CCPs to establish and implement transparent policies to assess and



<p>assess and monitor the liquidity of assets accepted as collateral and take remedial action where appropriate. For the purpose of valuing highly liquid collateral, a CCP must establish and implement policies and procedures to monitor on a near to real-time basis the credit quality, market liquidity and price volatility of each asset accepted as collateral. These policies must be reviewed at least annually and whenever a material change occurs that affects the CCP's risk exposure. A CCP must mark-to-market its collateral on a near to real-time basis and, where not possible, a CCP must be able to demonstrate to the competent authorities that it is able to manage the risks.^{cxlix}</p> <p>Cash collateral. Cash must be deemed highly liquid collateral if it is denominated in: (i) a currency in which the CCP clears transactions (in the limit of the collateral required to cover the CCP's exposure in that currency); or (ii) a currency the risk of which the CCP can demonstrate with a high degree of confidence to its competent authority that it is able to manage.^{cl}</p> <p>Financial instruments, bank guarantees and gold. A criteria-based approach should be followed to determine other types of assets that can be considered highly liquid (including financial instruments, bank guarantees, and gold). There is no requirement for a minimum amount of collateral to be in cash.^{cli}</p> <p>Haircuts. A CCP must establish and implement policies to determine prudent haircuts to apply to collateral</p>	Units of liquid mutual funds or government securities mutual funds (by whatever name called which invest in government securities)	10%	No limit		<p>monitor the liquidity of assets accepted as collateral or to take remedial action where appropriate.</p> <p>An Indian CCP under SEBI's supervision is not required to monitor on a near to real time basis the credit quality, market liquidity and price volatility of each asset accepted as collateral and its mark-to-market. The SEBI regime does not require a CCP to establish and implement policies to ensure that collateral remains sufficiently diversified to allow its liquidation within a defined holding period.</p> <p>An Indian CCP under SEBI's supervision is not required to demonstrate to the Indian authorities that haircuts are defined according to specific policies and calculated in a conservative manner to limit as far as possible procyclical effects under.</p> <p>An Indian CCP under SEBI's supervision is also not required to establish concentration limits for collateral.</p> <p>RBI - The RBI regime for CCPs does not include collateral requirements that are legally binding at a jurisdictional level. However, the internal policies, procedures, rules, models and methodologies of individual CCPs, which are out of the scope of this assessment, may contain legally binding provisions equivalent to those of EMIR.</p> <p>An Indian CCP under RBI's supervision is not required to accept only highly liquid collateral and the Indian regime does not specify the</p>	
	Other than Cash equivalent :					
	Liquid (Group I) Equity Shares (classification of equity shares done on the basis of liquidity)	Same as the VaR margin for the respective shares	Limit on exchange's exposure to a single issuer			
	Mutual fund units other than those listed under cash equivalents	Same as the VaR margin for the units computed using the traded price on stock exchange, if available, or else, using the NAV of the unit treating it as a liquid security				
Card value of eligible exchanges	50% if the last sale or auction of card in the exchange took place during the last six months. 75% if the last sale or auction of card in the exchange took place during the last twelve months but not within the last six months.	Eligible only for Extreme Loss Margin				



<p>value. The CCP must demonstrate to the competent authorities that haircuts are calculated in a conservative manner to limit as far as possible procyclical effects, taking into account relevant criteria (including the type of asset and level of credit risk associated with the financial instrument based on the CCP's internal assessment, which must not rely exclusively on external opinions and which must take into account risk arising from the establishment of the issuer in a particular country; the maturity of the asset; the historical and hypothetical future price volatility of the asset in stressed market conditions; the liquidity of the underlying market, including bid/ask spreads; foreign exchange risk, if any; and wrong way risk). A CCP must review the haircut policies at least annually and whenever a material change occurs that affects the CCP's risk exposure but should avoid as far as possible disruptive or big step changes that introduce procyclicality. Such procedures must be independently validated at least annually.^{ciii}</p> <p>Concentration limits. A CCP must establish and implement policies to ensure that the collateral remains sufficiently diversified to allow its liquidation within a defined holding period without a significant market impact; such policies must include risk mitigation procedures to be applied when the concentration limits are exceeded.</p> <p>A CCP must determine concentration limits at the levels of individual issuers, types of issuer, types of assets, each Clearing Member and all Clearing</p>		<p>100% if no sale or auction of card in the exchange has taken place during the last twelve months.</p>		<p>A. The valuation of the liquid assets shall be done on a daily basis except for the card value which shall be taken on the basis of the last sale or auction.</p> <p>B. The exchanges shall lay down exposure limits either in rupee terms or as percentage of the Trade Guarantee Fund (TGF) / Settlement Guarantee Fund (SGF) that can be exposed to a single bank directly or indirectly. The total exposure would include guarantees provided by the bank for itself or for others as well as debt or equity securities of the bank which have been deposited by members towards total liquid assets.</p> <p>Not more than 5% of the TGF/SGF or 1% of the total liquid assets deposited with the exchange, whichever is lower, shall be exposed to any single bank which has a net worth of less than Rs 500 Crores and is not rated P1 (or P1+) or equivalent, by a RBI recognized credit rating agency or by a reputed foreign credit rating agency, and not more than 50% of the TGF/SGF or 10% of the total liquid assets deposited with the exchanges, whichever is lower, shall be exposed to all such banks put together.</p> <p>C. Mark to market losses shall be paid by the member in the form of cash or cash equivalents.</p> <p>D. Cash equivalents shall be at least 50% of liquid assets. This would imply that Other</p>	<p>types of collateral that are deemed highly liquid or a criteria-based approach to determine whether assets are highly liquid.</p> <p>The RBI regime does not address whether CCPs may accept as collateral the underlying asset of a derivative contract or the financial instrument that generates the CCP exposure. The RBI regime does not require CCPs to establish and implement transparent policies to assess and monitor the liquidity of assets accepted as collateral or to take remedial action where appropriate.</p> <p>An Indian CCP under RBI's supervision is not required to monitor on a near to real time basis the credit quality, market liquidity and price volatility of each asset accepted as collateral.</p> <p>The RBI regime does not require a CCP to establish and implement policies to ensure that collateral remains sufficiently diversified to allow its liquidation within a defined holding period.</p> <p>An Indian CCP under RBI's supervision is not required to demonstrate to the Indian authorities that haircuts are calculated in a conservative manner to limit as far as possible procyclical effects.</p> <p>An Indian CCP under RBI's supervision is also not required to establish concentration limits for collateral.</p>
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<p>Members, in a conservative manner, taking into account all relevant criteria (including economic sector, geographic region and activity of issuers, levels of credit risk of instruments and issuers and liquidity and price volatility of instruments). Moreover, a CCP must ensure that no more than 10% of its collateral (25% if more than 50% is in the form of bank guarantees) is guaranteed by a single credit institution or entities of the same group. In calculating the limits, a CCP must include the total exposure of the CCP to an issuer (credit lines, deposits, savings accounts, money-market instruments, reverse repurchase facilities, etc.) and must aggregate and treat as a single risk its exposures to all instruments issued by the issuer or by a group entity, explicitly guaranteed by the issuer or a group entity, as well as instruments issued by undertakings whose exclusive purpose is to own means of production that are essential for the issuer's business. A CCP must review its concentration limit policies at least annually and whenever a material change occurs that affects the risk exposure of the CCP. A CCP must inform the Competent Authority and the Clearing Members of the applicable concentration limits. It must inform the Competent Authority immediately if it breaches such limits and must rectify the breach as soon as possible.^{cliii}</p>	<p>Liquid Assets in excess of the total Cash Equivalents would not be regarded as part of Total Liquid Assets.</p> <p>E. The exchanges shall lay down exposure limits either in rupee terms or as percentage of the Trade Guarantee Fund (TGF)/Settlement Guarantee Fund (SGF) that can be exposed to a single issuer directly or indirectly and in any case the exposure of the TGF/SGF to any single issuer shall not be more than 15% of the total liquid assets forming part of TGF/SGF of the exchange.</p> <p>F. As a transitional arrangement pending demutualization of stock Exchanges, the value of the membership card in eligible stock exchanges may be included as part of the member's liquid assets only to cover Extreme Loss Margin. To be eligible for this treatment, the exchange shall maintain an amount equivalent to at least 50% of the aggregate card value of all members in the form of cash and liquid assets.</p>		
<p>Investment policy</p> <p>A CCP's investments must be capable of being liquidated rapidly with</p>	<p>Investment policy</p> <p><u>Regulation 40 (Utilization of profits and investments):</u></p>	<p>Investment policy</p> <p>No corresponding provisions.</p>	<p>Investment policy</p> <p><i>SEBI - The SEBI regime for CCPs includes other default waterfall</i></p>



<p>minimal adverse price effect. Capital not invested in accordance with these rules must not be taken into account for purposes of capital requirement under EMIR, Art. 16 or the default waterfall under EMIR, Art. 45(4).</p> <p>A CCP may not invest its capital or the sums arising from the requirements laid down in Article 41, 42, 43 or 44 (margin, default fund, dedicated own resources, liquidity risk management) in its own securities or those of its parent undertaking or its subsidiaries. <small>cliv</small></p> <p>Highly liquid financial instruments. A CCP must only invest its financial resources in cash or highly liquid financial instruments with minimal market and credit risk. Only debt instruments with low credit and market risk are eligible investments and only where they are issued or guaranteed by a government, central bank, multilateral development bank, the EFSF or the ESM; the debt instruments must be freely transferable, with price data published regularly and with a diverse group of buyers and sellers including in stressed conditions. The average time-to-maturity of the CCP's portfolio must not exceed two years and the currency of the debt instruments must be one in which the CCP clears transactions or is able to risk manage. Derivative contracts can only be invested in by a CCP as part of the CCP's default management procedure. <small>cliv</small></p> <p>Highly secured arrangements for the deposit of financial instruments. Financial instruments posted with a CCP as margin or default</p>	<p>The utilisation of profits and investments by recognised clearing corporations shall be in accordance with the norms specified by SEBI.</p>		<p><i>requirements. Based on a review of the legally binding requirements which are applicable, at a jurisdictional level, to CCPs in India under SEBI's supervision, these requirements are not equivalent to those of EMIR. However, the internal policies, procedures, rules, models and methodologies of individual CCPs, which are out of the scope of this assessment, may contain legally binding provisions equivalent to those of EMIR.</i></p> <p>An Indian CCP under SEBI's supervision only has a general obligation to follow SEBI norms. The third parties at which a CCP deposits its own and its participant's assets are not required to prima facie be the operators of securities settlement systems that ensure the full protection of such financial instruments except where such systems are not available. The SEBI regime does not require CCPs to deposit cash posted at the CCP as margin or default fund contributions with a central bank or through highly secure arrangements. Furthermore, CCPs are not required to collateralise 95% of the cash they maintain other than with a central bank. When a CCP deposits assets with a third party, SEBI regime does not require the CCP to ensure that assets belonging to clearing members are identifiable separately from the assets belonging to the CCP and from assets belonging to a third party. An Indian CCP under SEBI's</p>
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fund contributions must be deposited with operators of securities settlement systems that ensure the full protection of such financial instruments. If unavailable, other highly secure arrangements at a central bank or an authorised financial institution may be used (subject to the institution having low credit risk and, in the case of third-country institutions, robust accounting practices, internal controls and segregation provisions).^{clvi}

Highly secured arrangements for maintaining cash. Cash may only be deposited by a CCP through the use of central banks' standing deposit facilities or through highly secure arrangements with authorised financial institutions (subject to the institution having low credit risk and, in the case of third-country institutions, robust accounting practices, internal controls and segregation provisions). Where secure arrangements with authorised financial institutions are used then the deposit must be in a currency in which the CCP clears transactions or is able to risk manage and at least 95% of the cash must be collateralised with highly liquid financial instruments meeting most of the requirements under Article 45^{clvii}.

Where a CCP deposits assets with a third party, it must ensure that the assets belonging to the Clearing Members are identifiable separately from the assets belonging to the CCP and from assets belonging to that third party by means of differently titled accounts on the books of the third party or any other equivalent measures that achieve the same level of

supervision is not required to take into account its overall credit risk exposures to individual obligors in making its investment decisions or to ensure that its overall risk exposure to any individual obligor remains within acceptable concentration limits.

No restriction comparable to the one in the EU regime has been found with respect to the investment in derivatives.

***RBI** - The RBI regime for CCPs does not include investment policy requirements that are legally binding at a jurisdictional level. However, the internal policies, procedures, rules, models and methodologies of individual CCPs, which are out of the scope of this assessment, may contain legally binding provisions equivalent to those of EMIR.*

An Indian CCP under RBI's supervision is not restricted in investing its capital.

The third parties at which a CCP deposits its own and its participant's assets are not required to prima facie be the operators of securities settlement systems that ensure the full protection of such financial instruments except where such systems are not available.

The RBI regime does not require CCPs to deposit cash posted at the CCP as margin or default fund contributions with a central bank or through highly secure arrangements. Furthermore, CCPs are not required to collateralise 95% of the cash they maintain other than with a central bank.



protection. A CCP must have prompt access to the financial instruments when required.^{clviii}

Concentration limits. A CCP must take into account its overall credit risk exposures to individual obligors in making its investment decisions and must ensure that its overall risk exposure to any individual obligor remains within acceptable concentration limits.^{clix} A CCP must establish and implement policies and procedures to ensure that the financial instruments in which its resources are invested remain sufficiently diversified. To this effect, a CCP must determine concentration limits at the levels of individual financial instruments, types of financial instruments, individual issuers, types of issuers, and counterparties with which financial instruments and cash have been deposited on a highly secured basis, taking into account relevant factors such as geographic distribution, interdependencies and multiple relationships that a CCP may have with a CCP, level of credit risk and exposures to the issuer through products cleared by the CCP. In calculating the limits for exposure to an issuer or custodian, a CCP must aggregate and treat as a single risk its exposures to all instruments issued by, or explicitly guaranteed by the issuer and all financial resources deposited with the custodian. A CCP must review its concentration limit policies at least annually and whenever a material change occurs that affects the risk exposure of the CCP. A CCP must inform the Competent Authority and the Clearing Members of the applicable

When a CCP deposits assets with a third party, the RBI regime does not require the CCP to ensure that assets belonging to clearing members are identifiable separately from the assets belonging to the CCP and from assets belonging to a third party.

An Indian CCP under RBI's supervision is not required to take into account its overall credit risk exposures to individual obligors in making its investment decisions or to ensure that its overall risk exposure to any individual obligor remains within acceptable concentration limits.

No restriction comparable to the one in the EU regime has been found with respect to the investment in derivatives.



<p>concentration limits. It must inform the Competent Authority immediately if it breaches such limits and must rectify the breach as soon as possible.^{clx}</p>			
<p>Default procedures</p> <p>A CCP must have detailed procedures in place to be followed where a Clearing Member does not comply with the participation requirements of the CCP within the time limit and in accordance with the procedures established by the CCP. The CCP must set out in detail the procedures to be followed in the event the default of a Clearing Member is not declared by the CCP. Those procedures must be reviewed annually.^{clxi}</p> <p>A CCP must take prompt action to contain losses and liquidity pressures arising from defaults, and must ensure that the closing out of any Clearing Member's positions does not disrupt its operations or expose non-defaulting Clearing Members to losses that they cannot anticipate or control.^{clxii}</p> <p>Where a CCP considers that a Clearing Member will not be able to meet its future obligations, it must promptly inform the competent authority before the default procedure is declared or triggered. The competent authority must promptly communicate that information to ESMA, to the relevant members of the ESCB and to the authority responsible for the supervision of the defaulting Clearing Member.^{clxiii}</p> <p>A CCP must verify that its default procedures are enforceable, and take all reasonable steps to ensure that it</p>	<p>Default procedures</p> <p>No corresponding provisions.</p>	<p>Default procedures</p> <p>No corresponding provisions.</p>	<p>Default procedures</p> <p>SEBI - The SEBI regime for CCPs does not include default procedures requirements that are legally binding at a jurisdictional level. However, the internal policies, procedures, rules, models and methodologies of individual CCPs, which are out of the scope of this assessment, may contain legally binding provisions equivalent to those of EMIR.</p> <p>The SEBI regime has no provision on the fact that a CCP should have procedures to handle a default aiming at avoiding market disruption or losses to non defaulting clearing members. An Indian CCP under SEBI's supervision is not required to inform the Indian authorities when it considers that a clearing member will not be able to meet its future obligations.</p> <p>An Indian CCP under SEBI's supervision is not required to verify that its default procedures are enforceable.</p> <p>An Indian CCP under SEBI's supervision is not required to contractually commit itself to trigger the procedures for the transfer of the assets and positions for clients.</p> <p>RBI - The RBI regime for CCPs does not include default procedures requirements that are legally binding</p>



has the legal power to liquidate the proprietary positions of the Defaulting Clearing Member and to transfer or liquidate the positions of the Clients of the Defaulting Clearing Member.^{clxiv}

Where a CCP keeps records and accounts for a Clearing Member on an: **omnibus client segregation** basis, the CCP must contractually commit itself to trigger the procedures for the transfer of the assets and positions held by the Defaulting Clearing Member for its clients to another Clearing Member designated by all those Clients, on their request and without the need for the Defaulting Clearing Member's consent; that other Clearing Member may be obliged to accept those assets and positions only where it has contractually committed itself towards the Clients to do so. If for any reason such transfer does not take place within the timeframe specified in the CCP's operating rules, the CCP may take all steps permitted by its rules to actively manage its risks in relation to those positions, including liquidating the assets and positions held by the Defaulting Clearing Member for the relevant Clients.^{clxv}

individual client segregation basis, the CCP must contractually commit itself to trigger the procedures for the transfer of the assets and positions held by the Defaulting Clearing Member for the account of the relevant Client to another Clearing Member designated by the Client, on its request and without the need for the Defaulting Clearing Member's consent; that other Clearing Member may be obliged to accept those assets and positions

at a jurisdictional level. However, the internal policies, procedures, rules, models and methodologies of individual CCPs, which are out of the scope of this assessment, may contain legally binding provisions equivalent to those of EMIR.

The RBI regime has no provision on the fact that a CCP should have procedures to handle a default aiming at avoiding market disruption or losses to non defaulting clearing members. An Indian CCP under RBI's supervision is not required to inform the Indian authorities when it considers that a clearing member will not be able to meet its future obligations. An Indian CCP under RBI's supervision is not required to verify that its default procedures are enforceable. An Indian CCP under RBI's supervision is not required to contractually commit itself to trigger the procedures for the transfer of the assets and positions for clients.



only where it has contractually committed itself towards the Client to do so. It for any reason such transfer does not take place within the timeframe specified in the CCP's operating rules, the CCP may take all steps permitted by its rules to actively manage its risks in relation to those positions, including liquidating the assets and positions held by the Defaulting Clearing Member for the Client.^{clxvi}

Clients' collateral distinguished by a CCP in accordance with EMIR's requirements for omnibus client segregation and individual client segregation must be used only to cover positions held for their account. Any balance owed by the CCP after the completion of a Defaulting Clearing Member's default management process must be returned to those Clients (if known to the CCP), or to the Clearing Member for the account of its Clients (if not).^{clxvii}



<p>Review of models, stress testing and back testing</p> <p>Model validation and testing programmes. A CCP must regularly review the models and parameters it has adopted to calculate margin requirements, default fund contributions, collateral requirements and other risk control mechanisms. Such models must be subject to frequent stress tests to assess resilience in extreme but plausible market conditions and back tests to assess the reliability of the underlying methodology. Material revisions or adjustments to the CCP's models and parameters, valuation models and validation policies should be subject to risk committee review, independent validation and validation from the CCP's Competent Authority and ESMA. The adopted models and parameters, including any significant change thereto, must be subject to an opinion of the college pursuant to Article 19 of EMIR. ESMA will ensure that information on the results of the stress tests is passed on to the ESAs to enable them to assess the exposure of financial undertakings to the default of CCPs. A CCP shall regularly assess the theoretical and empirical properties of its models. ^{clxviii}</p> <p>Back testing. A CCP must have in place a programme in relation to back testing of margin coverage on a daily basis based on an ex-post comparison of observed outcomes with expected outcomes derived from margin models. Back testing results must be periodically reported to the risk committee and made available to clearing mem-</p>	<p>Review of models, stress testing and back testing</p> <p>SECC^{xxxix}</p> <p>Regulation 39(7) The sufficiency of the corpus of the Fund shall be tested by way of periodic stress tests, in the manner specified by SEBI.</p> <p><u>SEBI Master Circular on matter relating to Exchange Traded Derivatives dated Apr 01, 2013^{cv}</u></p> <p>1.2.10 Reporting and Disclosure The derivatives exchange and clearing corporation shall submit quarterly reports to SEBI regarding the functioning of the risk estimation methodology highlighting the specific instances where price moves have been beyond the estimated 99% VaR limits. The clearing corporation / clearing house shall disclose the details of incidences of failures in collection of margin and/or the settlement dues on a quarterly basis. Failure for this purpose means a shortfall for three consecutive trading days of 50% or more of the liquid net worth of the member. Any proposal for changes in the methodology to compute the initial margin should be filed with SEBI and released to the public for comments along with detailed comparative back testing results of the proposed methodology and the current methodology. The proposal shall specify the date from which the new methodology will become effective and this effective date shall not be less than three months after the date of filing with SEBI.</p> <p>At any time, up to two weeks before the effective date, SEBI may instruct the derivatives exchange and clearing corporation/house not to implement the change, or the derivatives exchange and clearing corporation/ house may on its own decide not to implement the change. The derivatives exchange/segment of the exchange/clearing corpo-</p>	<p>Review of models, stress testing and back testing</p> <p>RBI instructions CCIL has been instructed to: (i) undertake model validations on an yearly basis; (iii) review its default handling procedures as well as carry out Table Top exercise of its Default Handling Processes involving its Clearing Participants.</p>	<p>Review of models, stress testing and back testing</p> <p>SEBI - <i>The SEBI regime for CCPs includes review of models, stress testing and back testing requirements. Based on a review of the legally binding requirements which are applicable, at a jurisdictional level, to CCPs in India under SEBI's supervision, these requirements are not equivalent to those of EMIR. However, the internal policies, procedures, rules, models and methodologies of individual CCPs, which are out of the scope of this assessment, may contain legally binding provisions equivalent to those of EMIR.</i></p> <p>An Indian CCP under SEBI's supervision is not required to regularly review the models and parameters adopted for margin requirements, collateral requirements and other risk control mechanisms or perform frequent stress tests.</p> <p>An Indian CCP under SEBI's supervision is not required to submit material revisions or adjustments to the risk committee or to independent review, or to submit the results of back testing to its risk committee or clearing members.</p> <p>An Indian CCP under SEBI's supervision is not specifically required to analyse its financial resources coverage by conducting stress tests at least daily.</p> <p>An Indian CCP under SEBI's supervision is not specifically required to perform coverage monitoring so as</p>
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<p>ber and clients.^{clxix}</p> <p>Sensitivity testing and analysis. A CCP must have in place a programme in relation to sensitivity testing and analysis to assess the coverage of the margin model under various market conditions, including realized stressed market conditions and hypothetical unrealized stressed market conditions, and to determine the sensitivity of the system to errors in the calibration of such parameters and assumptions.^{clxx} Sensitivity analysis must be performed on a number of actual and representative clearing member portfolios. Back testing results must be periodically reported to the risk committee.</p> <p>Stress testing – total and liquid financial resources. A CCP must have in place a programme to stress test its total financial resources and liquid financial resources to ensure that they are sufficient^{clxxi}.</p> <p>Maintaining sufficient coverage. A CCP must have in place a programme to recognise changes in market conditions and, if necessary, to adapt its margin requirements, including the haircuts it imposes^{clxxii}.</p> <p>Review of models using test results. A CCP must have in place a programme to review the coverage provided by its margin models and, if necessary, to recalibrate them^{clxxiii}.</p> <p>Reverse stress tests. A CCP must have in place a reverse stress testing programme designed to identify under which market conditions the combination of its margin, default fund and other financial resources may provide insufficient coverage of credit expo-</p>	<p>ration/clearing house of the exchange may choose to impose more stringent requirements, other than those prescribed above.</p> <p>SEBI Master Circular on matter relating to Exchange Traded Derivatives dated April 01,2013 requires clearing corporation to carry out back testing of margin models and submit the report to SEBI on a half yearly basis.</p> <p>SEBI Circular SMD/POLICY/SGF/CIR-13/97^{clxxxvi}</p> <p>dated June 09, 1997 on “Guidelines for Settlement Guarantee Fund (SGF) at Stock Exchanges – provides the requirements for stress testing.</p> <p><u>SEBI Master Circular on matter relating to Exchange Traded Derivatives dated Apr 01,2013^{clv}</u></p> <p>1.2.7 In order to ensure that the most recent scenario are applied for computation of the portfolio values and the initial margin, the scenario contract values shall be updated at least 5 times in the day, which may be carried out by taking the closing price of the previous day at the start of trading and the prices at 11:00 a.m., 12:30 p.m., 2:00 p.m., and at the end of the trading session.</p> <p>SEBI Master Circular for Stock Exchange – Equity Cash Market dated Apr 17,2013^{clxxii}</p> <p>Additional Margins</p> <p>Exchanges/clearing corporations have the right to impose additional risk containment measures over and above the risk containment system mandated by SEBI. However, the Stock Exchanges</p>		<p>to promptly test and if applicable review its models and adjust margin requirements, haircuts and correlation for purposes of portfolio margining in case of changing market conditions.</p> <p>An Indian CCP under SEBI’s supervision is not specifically required to perform reverse stress tests designed to identify under which market conditions the combination of its margin and other financial resources may provide insufficient coverage of credit exposures and for which its liquid financial resources may be insufficient, including by modeling extreme market conditions beyond what is considered plausible.</p> <p>An Indian CCP under SEBI’s supervision is not required to test its collateral haircut policies at least monthly.</p> <p>The SEBI regime does not specifically require a CCP to validate its liquidity risk management frameworks, valuation models, correlation performance in relation to portfolio margining, or testing results.</p> <p>The SEBI regime does not require CCPs to review their models for default fund contributions or to regularly test key aspects of default procedures.</p> <p>An Indian CCP under SEBI’s supervision is not specifically required to publicly disclose the general principles underlying its models and their methodologies, its margin-setting methodology, the nature of tests performed, a high level summary of the test results and any corrective actions undertaken or key aspects of its default procedures.</p>
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resources and for which its liquid financial resources may be insufficient, including by modelling extreme market conditions beyond what is considered plausible. The results of the stress testing programme should periodically be reported to the risk committee.^{clxxiv}

Testing default procedures. A CCP must regularly test the key aspects of its default procedures, and take all reasonable steps to ensure that Clearing Members (and, where relevant, Clients, service providers and Interoperable CCPs) understand them and have appropriate procedures in place to respond to a default.^{clxxv}

Frequency. A CCP must conduct a comprehensive validation of its models and their methodologies, its liquidity risk management framework, valuation models, correlation performance in relation to portfolio margining and testing programmes at least annually. A CCP must analyse and monitor its model performance and financial resources coverage in the event of default and its liquidity risk management framework by back-testing margin coverage and conducting stress tests at least daily. A CCP must conduct a detailed thorough analysis of testing results at least monthly (and more frequently if market conditions are stressed or expected to be stressed) to ensure that stress testing scenarios, models, underlying parameters and assumptions are correct. A CCP must conduct sensitivity analysis at least monthly (and more frequently if markets are unusually volatile or less liquid). A CCP must test collateral haircut policies at least monthly. A

should keep the following three factors in mind while taking such action:

- a. Additional risk management measures (like ad-hoc margins) would normally be required only to deal with circumstances that cannot be anticipated or were not anticipated while designing the risk management system. If ad-hoc margins are imposed with any degree of regularity, exchanges should examine whether the circumstances that give rise to such margins can be reasonably anticipated and can therefore be incorporated into the risk management system mandated by SEBI. Exchanges are encouraged to analyse these situations and bring the matter to the attention of SEBI for further action.
- b. Any additional margins that the exchanges may impose shall be based on objective criteria and shall not discriminate between members on the basis of subjective criteria.
- c. Transparency is an important regulatory goal and therefore every effort must be made to make the risk management systems fully transparent by disclosing their details to the public.

RBI -The Indian regime for CCPs includes review of models, stress testing and back testing requirements. Based on a review of the legally binding requirements which are applicable, at a jurisdictional level, to CCPs in India under RBI's supervision, these requirements are not equivalent to those of EMIR. However, the internal policies, procedures, rules, models and methodologies of individual CCPs, which are out of the scope of this assessment, may contain legally binding provisions equivalent to those of EMIR.

An Indian CCP under RBI's supervision is not required to inform regulators of the results of the tests of its models and parameters or to submit material revisions or adjustments to the risk committee, competent authority or to independent review, or to submit the results of back testing to its risk committee or clearing members.

An Indian CCP under RBI's supervision is not specifically required to analyse its financial resources coverage by conducting stress tests at least daily.

An Indian CCP under RBI's supervision is not specifically required to perform coverage monitoring so as to promptly test and if applicable review its models and adjust margin requirements, haircuts and correlation for purposes of portfolio margining in case of changing market conditions.

An Indian CCP under RBI's supervision is not specifically required



CCP must conduct reverse stress tests and review its default procedures at least quarterly with simulation exercises at least annually.^{clxxvi}

Information to be publicly disclosed. A CCP must publicly disclose the general principles underlying its models and their methodologies, the nature of the tests performed, and a high level summary of the test results and any corrective actions undertaken. A CCP must also make available key aspects of its default procedures, including: (i) the circumstances in which action may be taken and by whom, (ii) the scope of actions which may be taken; (iii) mechanisms to address a CCP's obligations to non-defaulting Clearing Members; and (iv) mechanisms to help address the Defaulting Clearing Member's obligations to its Clients.^{clxxvii}

to perform reverse stress tests designed to identify under which market conditions the combination of its margin and other financial resources may provide insufficient coverage of credit exposures and for which its liquid financial resources may be insufficient, including by modeling extreme market conditions beyond what is considered plausible. An Indian CCP under RBI's supervision is not required to test its collateral haircut policies at least monthly. The RBI regime does not specifically require a CCP to validate its liquidity risk management frameworks, valuation models, correlation performance in relation to portfolio margining, or testing results. The RBI regime does not require CCPs to review its models for default fund contributions or to regularly test key aspects of default procedures. An Indian CCP under RBI's supervision is not specifically required to publicly disclose the general principles underlying its models and their methodologies, its margin-setting methodology, the nature of tests performed, a high level summary of the test results and any corrective actions undertaken or key aspects of its default procedures.



Settlement	Settlement	Settlement	Settlement																						
<p>Cash settlement risk. A CCP must, where practical and available, use central bank money to settle its transactions. Where central bank money is not used, steps must be taken to limit cash settlement risk.^{clxxviii}</p> <p>Securities settlement risk. A CCP must clearly state its obligations with regard to deliveries of financial instruments, including whether it has an obligation to make or receive delivery of such instruments. If so, it must (as far as possible) eliminate principal risk through the use of delivery-versus-payment mechanisms to the extent possible.^{clxxix}</p> <p>Settlement finality rules also apply in accordance with the Settlement Finality Directive^{clxxx}.</p>	<p>SEBI Master Circular for Stock Exchange – Equity Cash Market dated Apr 17,2013^{cxii}</p> <p>Annexure 3, Section 1.2 Activity Schedule for T+2 Rolling Settlement</p> <p>The activity schedule is as under:</p> <table border="1" data-bbox="555 515 1162 1102"> <thead> <tr> <th>S. No</th> <th>Day</th> <th>Time</th> <th>Description of activity</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>T</td> <td></td> <td></td> </tr> <tr> <td rowspan="2">2</td> <td rowspan="2">T+1</td> <td>By 1.00 pm</td> <td>Completion of custodial maturation of trades to CCP. is no separate extended limit for late confirmation</td> </tr> <tr> <td>By 2.30 pm</td> <td>Completion of process and download obligation files to broker/todians by the CCP.</td> </tr> <tr> <td rowspan="3">3</td> <td rowspan="3">T+2</td> <td>Until 10.30 am</td> <td>Accept Pay-in instructions from investors into pool accounts</td> </tr> <tr> <td>By 10.30 am</td> <td>Submit final pay-in files to depository and the clearing house</td> </tr> <tr> <td>By 1.30 pm</td> <td>Pay-out of securities and cash to investors</td> </tr> </tbody> </table> <p>1.1.13 Shortfall of Margins / Pay-in of funds</p> <p>a. Margin shortfall In case of any shortfall in Margin, the terminals of the broker shall be immediately deactivated.</p> <p>b. Pay-in shortfall i. In cases where the amount of shortage in a settlement for a trading member is in excess of the base minimum capital (BMC) prescribed, the trading facility of the member shall be withdrawn</p>	S. No	Day	Time	Description of activity	1	T			2	T+1	By 1.00 pm	Completion of custodial maturation of trades to CCP. is no separate extended limit for late confirmation	By 2.30 pm	Completion of process and download obligation files to broker/todians by the CCP.	3	T+2	Until 10.30 am	Accept Pay-in instructions from investors into pool accounts	By 10.30 am	Submit final pay-in files to depository and the clearing house	By 1.30 pm	Pay-out of securities and cash to investors	<p>RBI has issued the settlement finality and default handling directives under the PSS Act which is binding to all payment system operators including the CCIL. The link to the directive is: http://www.rbi.org.in/scripts/NotificationUser.aspx?Id=6018&Mode=0</p>	<p>SEBI – The SEBI regime for CCPs includes settlement requirements. Based on a review of the legally binding requirements which are applicable, at a jurisdictional level, to CCPs in India under SEBI’s supervision, these requirements are not equivalent to those of EMIR. However, the internal policies, procedures, rules, models and methodologies of individual CCPs, which are out of the scope of this assessment, may contain legally binding provisions equivalent to those of EMIR.</p> <p>The SEBI regime does not refer to central bank money or cash settlement risk limitation, to delivery versus payment or settlement finality directive.</p> <p>An Indian CCP under SEBI’s supervision is not specifically required to use central bank money where practical and available to settle its transactions.</p> <p>An Indian CCP under SEBI’s supervision is not specifically required to clearly state its obligations with regard to deliveries of financial instruments or to eliminate principal risk through the use of delivery-versus-payment mechanisms to the extent possible when it has an obligation to make or receive delivery of financial instruments.</p> <p>RBI – The RBI regime for CCPs includes settlement requirements. . Based on a review of the legally</p>
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and the securities pay-out due to the member shall be withheld.

ii. In cases where the amount of shortage exceeds 20% of the BMC but less than the BMC on six occasions within a period of three months, then also the trading facility of the member shall be withdrawn and the securities pay-out due to the member shall be withheld.

iii. Upon recovery of the complete shortages, the member shall be permitted to trade subject to his providing a deposit equivalent to his cumulative funds shortage as the 'funds shortage collateral'. Such deposit shall be kept with the Exchange for a period of ten rolling settlements and shall be released thereafter. Such deposit shall not be available for adjustment against margin liabilities and also not earn any interest. The deposit may be by way of cash, fixed deposit receipts or bank guarantee.

iv. The exchange may levy a penal interest of not less than 0.07% per day on the pay-in shortage of the member.

SECC (Amendment) Regulation^{clxxxii}
 (As amended on September 2, 2013)
 Regulation 2 (1)
 (j) "netting" means the determination by Clearing Corporation of net payment or delivery obligations of the clearing members of a recognised clearing corporation by setting off or adjustment of the inter se obligations or claims arising out of buying and selling of securities including the claims and obligations arising out of the termination by the Clearing Corporation or Stock Exchange, in such circumstances as the Clearing Corporation may specify in bye-laws, of the transactions admitted for settlement at a future date, so that only a net claim be demanded, or a net obligation be owed."
 Settlement and netting.
 44 A. (1) The payment and settlement in respect of a transaction in a recognized stock exchange and

binding requirements which are applicable, at a jurisdictional level, to CCPs in India under RBI's supervision, these requirements are not equivalent to those of EMIR. However, the internal policies, procedures, rules, models and methodologies of individual CCPs, which are out of the scope of this assessment, may contain legally binding provisions equivalent to those of EMIR.

The RBI regime does not refer to central bank money or cash settlement risk limitation, to delivery versus payment.

An Indian CCP under RBI's supervision is not specifically required to use central bank money where practical and available to settle its transactions.

An Indian CCP supervised by the RBI is not specifically required to clearly state its obligations with regard to deliveries of financial instruments or to eliminate principal risk through the use of delivery-versus-payment mechanisms to the extent possible when it has an obligation to make or receive delivery of financial instruments.

recognized clearing corporation shall be determined in accordance with the netting or gross procedure as specified in the bye-laws of such recognized stock exchange and recognized clearing corporation, with the prior approval of the SEBI.

(2) Payment and settlement in respect of a transaction between parties referred to in sub-regulation (1), effected under the bye-laws of a recognized stock exchange or recognized clearing corporation, shall be final, irrevocable and binding on such parties.

(3) When a settlement has become final and irrevocable, the right of the recognized stock exchange or the recognized clearing corporation, as the case may be, to appropriate any collaterals or deposits or margins contributed by the trading member, clearing member or client towards its settlement or other obligations in accordance with the bye-laws of the recognised stock exchange or recognized clearing corporation shall take priority over any other liability of or claim against the said trading member, clearing member or client, as the case may be. Explanation. – For removal of doubts, it is hereby declared that the settlement, whether gross or net, referred to in this regulation is final and irrevocable as soon as the money, securities or other transactions payable as a result of such settlement is determined, whether or not such money, securities or other transactions is actually paid.

Right of Clearing Corporation.

44B. The right of recognised clearing corporation(s) to recover the dues from its clearing members, arising from the discharge of their clearing and settlement functions, from the collaterals, deposits and the assets of the clearing members, shall have priority over any other liability of or claim against the clearing members.

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- i EMIR, Art. 26(1) and Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Art. 3 and 4.
 - ii Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Art. 3(1) and (2).
 - iii Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Art. 3(1) and (2).
 - iv Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Art. 3(7).
 - v Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Art. 3(5).
 - vi Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Art. 3(3).
 - vii Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Recital 12 and Art. 3(4).
 - viii Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Art. 4(1).
 - ix Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Art. 4(2).
 - x Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Art. 4(4).
 - xi Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Art. 4(5).
 - xii Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Art. 4(6).
 - xiii Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Art. 4(7).
 - xiv EMIR, Art. 26(2) and Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Art. 5(1).
 - xv Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Art. 5.
 - xvi Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Art. 7(1).
 - xvii Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Art. 7(2).
 - xviii Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Art. 7(3).
 - xix EMIR, Art. 26(4).
 - xx Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Art. 7(6).
 - xxi EMIR, Art. 26(5).
 - xxii Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Art. 8(1) to (3).
 - xxiii Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Art. 8(4).
 - xxiv EMIR, Art. 26(6).
 - xxv Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Art. 8.
 - xxvi Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Art. 8.
 - xxvii EMIR, Art. 26(7); Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Art. 10.
 - xxviii EMIR, Art. 26(8).
 - xxix Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Art. 11(1) to (4).
 - xxx Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Art. 11(5).
 - xxxi http://www.sebi.gov.in/cms/sebi_data/attachdocs/1340272091708.pdf
 - xxxii http://www.sebi.gov.in/cms/sebi_data/attachdocs/1355463824798.pdf
 - xxxiii http://www.mca.gov.in/Ministry/pdf/Companies_Act_1956_13jun2011.pdf
 - xxxiv http://www.sebi.gov.in/cms/sebi_data/commondocs/annb1312_p.pdf
 - xxxv http://www.sebi.gov.in/cms/sebi_data/attachdocs/1291195113398.pdf
 - xxxvi http://www.sebi.gov.in/cms/sebi_data/attachdocs/1322566617047.pdf
 - xxxvii http://www.sebi.gov.in/cms/sebi_data/attachdocs/1293168356651.pdf
 - xxxviii EMIR, Art. 27(1).
 - xxxix EMIR, Art. 27(2).
 - xl EMIR, Art. 2(28).
 - xli EMIR, Art. 27(2).
 - xlii EMIR, Art. 27(3).
 - xliii Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Art. 4(3).
 - xliv http://www.sebi.gov.in/cms/sebi_data/attachdocs/1292815039114.pdf
 - xlv http://www.sebi.gov.in/cms/sebi_data/attachdocs/1377662180567.pdf

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- xlvi EMIR, Art. 28(1).
- xlvii EMIR, Art. 28(2).
- xlviii EMIR, Art. 28(3).
- lix EMIR, Art. 29(1).
- ¹ EMIR, Art. 29(2).
- li Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Art. 12.
- lii Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Recital 16.
- liii Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Art. 13.
- liv Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Art. 14.
- lv Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Art. 15.
- lvi Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Art. 16.
- lvii Any direct or indirect holding in a CCP representing at least 10% of its voting rights or capital, as set out in Articles 9 and 10 of Directive 2004/109/EC; EMIR, Art. 2(20).
- lviii EMIR, Art. 30(1).
- lix EMIR, Art. 30(2).
- lx EMIR, Art. 30(4).
- lxi EMIR, Art. 30(3).
- lxii EMIR, Art. 30(5).
- lxiii EMIR, Art. 31(1).
- lxiv EMIR, Art. 31(1).
- lxv Any direct or indirect holding in a CCP representing at least 10% of its voting rights or capital, as set out in Articles 9 and 10 of Directive 2004/109/EC; EMIR, Art. 2(20).
- lxvi EMIR, Art. 31(2).
- lxvii EMIR, Art. 31(3).
- lxviii EMIR, Art. 31(5) and (6).
- lxix EMIR, Art. 32(1).
- lxx EMIR, Art. 32(2).
- lxxi EMIR, Art. 32(3).
- lxxii EMIR, Art. 32(4).
- lxxiii EMIR., Art. 32(6), (7).
- lxxiv Where the CCP is a parent or subsidiary undertaking, these written arrangements should also take into account any circumstances of which the CCP is or should be aware which may give rise to conflicts of interest arising as a result of the structure and business activities of other undertakings with which it has a parent or subsidiary undertaking relationship; EMIR Art. 33(3).
- lxxv EMIR, Art. 33(1).
- lxxvi EMIR, Art. 33(2).
- lxxvii Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Recital 13.
- lxxviii EMIR, Art. 26(3).
- lxxix EMIR, Art. 34 (1) and (2).
- lxxx Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Art. 17.
- lxxxi Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Art. 18.
- lxxxii Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Art. 19.
- lxxxiii Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Art. 20.
- lxxxiv Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Art. 21.
- lxxxv Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Art. 22.
- lxxxvi Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Art. 23.
- lxxxvii EMIR, Art. 35(1).
- lxxxviii EMIR, Art. 35(2).
- lxxxix EMIR, Art. 36(1).
- xc EMIR, Art. 36(1) and (2).
- xci EMIR, Art. 37(1).
- xcii EMIR, Art. 37(3).
- xciii EMIR, Art. 37(4) and (5).
- xciv EMIR, Art. 37(6).

- xcv EMIR, Art. 37(2).
- xcvi http://www.sebi.gov.in/cms/sebi_data/commondocs/stockbroamendregu_p.pdf
- xcvii http://www.sebi.gov.in/cms/sebi_data/commondocs/intermediaryreg_p.pdf
- xcviii http://www.sebi.gov.in/cms/sebi_data/attachdocs/1332906227114.pdf
- xcix EMIR, Art. 38(1).
- c EMIR, Art. 38(3) to (5).
- ci EMIR, Art. 38(1).
- cii EMIR, Art. 38(2).
- ciii EMIR, Art. 38(1) and (3).
- civ http://www.sebi.gov.in/cms/sebi_data/attachdocs/1288173509686.pdf
- cv http://www.sebi.gov.in/cms/sebi_data/attachdocs/1364810013011.pdf
- cvi EMIR, Art. 39(1) to (3).
- cvi EMIR, Art. 39(4) to (6).
- cviii EMIR, Art. 39(7).
- cix EMIR, Art. 39(8).
- cx EMIR, Art. 39(9).
- cxii EMIR, Art. 39(10).
- cxiii http://www.sebi.gov.in/cms/sebi_data/attachdocs/1366194098437.pdf
- cxiii http://www.sebi.gov.in/sebiweb/home/document_detail.jsp?link=http://www.sebi.gov.in/cms/sebi_data/docfiles/20231_t.html
- cxiv http://www.sebi.gov.in/sebiweb/home/document_detail.jsp?link=http://www.sebi.gov.in/cms/sebi_data/docfiles/7159_t.html
- cxv EMIR, Art. 40(1).
- cxvi EMIR, Art. 41(1).
- cxvii Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Recital 21.
- cxviii EMIR, Art. 41(1).
- cxix EMIR, Art. 41(2).
- cx EMIR, Art. 41(3) and (4).
- cxxi Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Art. 24(1).
- cxixii Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Art. 24(1).
- cxixiii Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Art. 24(2).
- cxixiv Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Art. 24(4).
- cxixv Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Art. 25.
- cxixvi Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Art. 26(1).
- cxixvii Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Art. 26(4).
- cxixviii Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Art. 27.
- cxixix Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Art. 28.
- cxixx EMIR, Art. 42(1) and (2).
- cxixxi EMIR, Art. 42(3).
- cxixxii EMIR, Art. 42(4).
- cxixxiii Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Art. 29.
- cxixxiv Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Art. 30.
- cxixxv Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Art. 31.
- cxixxvi http://www.sebi.gov.in/sebiweb/home/document_detail.jsp?link=http://www.sebi.gov.in/cms/sebi_data/docfiles/19907_t.html
- cxixxvii EMIR, Art. 43.
- cxixxviii EMIR, Art. 43(3).
- cxixxix EMIR, Art. 44(1).
- cxl EMIR, Art. 44 (1).
- cxli Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Art. 32.
- cxlii Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Art. 33.

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- exliii Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Art. 34.
- exliv EMIR, Art. 45(1) to (4).
- exlv Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Art. 35.
- exlvi Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Art. 36.
- exlvii http://www.sebi.gov.in/sebiweb/home/document_detail.jsp?link=http://www.sebi.gov.in/cms/sebi_data/docfiles/16610_t.html
- exlviii EMIR, Art. 46(1).
- exlix Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Art. 37 and 42.
- el Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Art. 38.
- eli Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Art. 39 to 41.
- elii Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Art. 43.
- eliii Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Art. 44.
- eliv EMIR, Art. 47(6)
- elv EMIR, Art. 47(1); Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Art. 45.
- elvi EMIR, Art. 47(3); Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Art. 46.
- elvii EMIR, Art. 47(4); Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Art. 47.
- elviii EMIR, Art. 47(5).
- elix EMIR, Art. 48(7). Under Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Art. 48, a CCP must determine concentration limits at the levels of individual financial instruments, types of financial instruments, individual issuers, types of issuers, and counterparties with which financial instruments and cash have been deposited on a highly secured basis.
- elx Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Art. 48.
- elxi EMIR, Art. 48(1).
- elxii EMIR, Art. 48(2).
- elxiii EMIR, Art. 48(3).
- elxiv EMIR, Art. 48(4).
- elxv EMIR, Art. 48(5).
- elxvi EMIR, Art. 48(6).
- elxvii EMIR, Art. 48(7).
- elxviii EMIR, Art. 49(1); Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Art. 50 and 51.
- elxix Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Art. 52.
- elxx Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Art. 53.
- elxxi Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Art. 56 and 57.
- elxxii Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Art. 58.
- elxxiii Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Art. 59.
- elxxiv Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Art. 60.
- elxxv EMIR, Art. 49(2); Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Art. 61.
- elxxvi Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Art. 62.
- elxxvii EMIR, Art. 49(3); Commission Delegated Regulation (EU) No 153/2013 on requirements for CCPs, Art. 64.
- elxxviii EMIR, Art. 50(1).
- elxxix EMIR, Art. 50(2) and (3).
- elxxx Directive 98/26/EC on settlement finality in payment and securities settlement systems and Directive 2009/44/EC amending the Settlement Finality Directive and the Financial Collateral Arrangements Directive.
- elxxxii http://www.sebi.gov.in/cms/sebi_data/attachdocs/1378378058586.pdf