



**CIRCULAR**

SEBI/HO/MRD2/DCAP/CIR/P/2020/01

January 03, 2020

To

All recognised Stock Exchanges and Clearing Corporations except Stock Exchanges and Clearing Corporations in International Financial Services Centre

Dear Sir/ Madam

**Contribution by a non-defaulting member in the Default waterfall of Clearing Corporations**

SEBI vide its Circular no. [CIR/MRD/DRMNP/25/2014](#) dated August 27, 2014 has, *inter alia*, specified guidelines pertaining to Core Settlement Guarantee Fund and Default Waterfall for Clearing Corporations.

2. Pursuant to deliberations with Risk Management Review Committee (RMRC) of SEBI and various stakeholders, it has been decided to amend the following provisions of the aforesaid Circular.
  - a. Clause 14 of the said Circular dated August 27, 2014 shall stand modified as under:

**“Further Contribution to/ Recoupment of Core SGF**

- 14) Requisite contributions to Core SGF by various contributors (as per clauses 7 and 8) for any month shall be made by the contributors before start of the month.

In the event of usage of Core SGF during a calendar month, contributors shall, as per usage of their individual contribution, immediately replenish the Core SGF to MRC. However, such contribution towards replenishment of Core SGF by the members would be restricted to only once during a period of 30 calendar days regardless of the number of defaults during the period. The period of 30 calendar days shall commence from the date of notice of default by Clearing Corporation to market participants.



In case there is failure on part of some contributor(s) to replenish its (their) contribution, same shall be immediately met, on a temporary basis during the month, in the following order:

- (i) By CC
- (ii) By SE”

- b. Layer VII of the default waterfall, as specified under clause 16 of the said Circular dated August 27, 2014, shall stand modified as under:

**“VII. Capped additional contribution by non-defaulting members of the segment. \*\***

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- (i) CC shall call for the capped additional contribution only once during a period of 30 calendar days regardless of the number of defaults during the period. The period of 30 calendar days shall commence from the date of notice of default by CC to market participants.
- (ii) CCs shall have relevant regulations/provisions for non-defaulting members to resign un-conditionally within the abovementioned period of 30 calendar days, subject to member closing out/settling any outstanding positions, paying the capped additional contribution and any outstanding dues to SEBI. No further contribution shall be called from such resigned members.
- (iii) The maximum capped additional contribution by non-defaulting members shall be lower of 2 times of their primary contribution to Core SGF or 10% of the Core SGF of the segment on the date of default in case of equity/debt segments.
- (iv) The maximum capped additional contribution by non-defaulting members shall be lower of 2 times of their primary contribution to Core SGF or 20% of the Core SGF of the segment on the date of default in case of derivatives segment.
- (v) In case of shortfall in recovery of assessed amounts from non-defaulting members, further loss can be allocated to layer 'VI' with approval of SEBI.”



**भारतीय प्रतिभूति और विनिमय बोर्ड**  
**Securities and Exchange Board of India**

3. Clearing Corporations are directed to:

- (i) put in place the adequate systems and issue the necessary guidelines for implementing the above decision.
- (ii) make necessary amendments to the relevant bye-laws, rules and regulations for the implementation of the above decision.
- (iii) bring the provisions of this circular to the notice of the trading members / clearing members / custodians and also to disseminate the same on the website.
- (iv) communicate to SEBI the status of implementation of the provisions of this circular through Monthly Development Report.

4. This circular is issued in exercise of the powers conferred under Section 11(1) of the Securities and Exchange Board of India Act 1992, read with Section 10 of the Securities Contracts (Regulation) Act, 1956 to protect the interests of investors in securities and to promote the development of, and to regulate the securities market.
5. This circular is available on SEBI website at [www.sebi.gov.in](http://www.sebi.gov.in) at “Legal Framework→Circulars”.

Yours faithfully,

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