



# THE CLEARING CORPORATION OF INDIA LTD

## Principles for Financial Market Infrastructures

### Disclosure for Trade Repository for OTC Derivatives and Specified Instruments

Committee on Payments and  
Market Infrastructures  
Board of the International  
Organization of Securities  
Commissions

---

<b>Responding Institution:</b>	<b>The Clearing Corporation of India Ltd.</b>
--------------------------------	---

<b>Jurisdiction(s) in which the FMI</b>	<b>India</b>
---	--------------

**Operates:**

<b>Authority overseeing the PFMI</b>	<b>Reserve Bank of India</b>
--------------------------------------	------------------------------

<b>The date of this disclosure is:</b>	<b>31<sup>st</sup> March, 2022</b>
--	------------------------------------

<b>Website in which the disclosure is made</b>	<b><a href="http://www.ccilindia.com">www.ccilindia.com</a></b>
--	---

---

For further information on OTC derivatives , please contact at [irs@ccilindia.co.in](mailto:irs@ccilindia.co.in) and [ftrac@ccilindia.co.in](mailto:ftrac@ccilindia.co.in) for Specified Instruments .

**List of abbreviations used in this disclosure.**

**BCP:** Business Continuity Plan.

**CCIL:** The Clearing Corporation of India Ltd.

**CCIL-TR:** Clearing Corporation Trade Repository.

**CDs:** Certificate of Deposit

**CORE:** CCIL's Online Reporting Engine.

**CPs:** Commercial Papers

**CPMI-IOSCO:** Committee on Payments and Market Infrastructures and the Technical Committee of the International Organization of Securities Commissions.

**FEDAI:** Foreign Exchange Dealers' Association of India Ltd.

**FIMMDA:** Fixed Income Money Market and Derivatives Association of India.

**FMI:** Financial Market Infrastructure.

**F-TRAC:** CCIL's Financial Markets Trade Reporting and Confirmation System

**INFINET:** Indian Financial Network.

**IBU:** IFSC Banking Unit.

**IFSC:** International Financial Services Centre.

**ISMS:** Information Security Management System (ISMS).

**NDDC:** Non-Deliverable Derivative Contract

**OTC:** Over the Counter

**PDAI:** Primary Dealers Association of India Ltd.

**PSS Act:** The Payment and Settlement Systems Act, 2007 and its subsequent Amendments.

**Rakshitra:** Clearing Corporation's Monthly Magazine.

**RBI:** Reserve Bank of India.

## CCIL TR Services

**SI:** Specified Instruments include Certificate(s) of Deposit (CDs), Commercial Paper(s) (CPs) and Repo/ Reverse repo transactions in Corporate Bonds and Debentures/ Certificate(s) of Deposit and Commercial Paper(s) and any other instrument as specified by the Regulator from time to time.

**TR:** Trade Repository.

**UAT:** User Acceptance Testing.

**Contents:**

<b>Particulars</b>	<b>Page No</b>
<b>Executive Summary</b>	5-6
<b>Summary of major changes since the last update</b>	7
<b>General Background on the FMI</b>	8-10
<b>Principles applicable to Trade Repositories</b>	11-12
<b>Principle –by-principle summary narrative disclosure</b>	
<i>Principle 1: Legal basis</i>	13-16
<i>Principle 2: Governance</i>	16-35
<i>Principle 3: Framework for the comprehensive management of risks</i>	36-39
<i>Principle 15: General Risk</i>	39-41
<i>Principle 17: Operational Risk</i>	42-51
<i>Principle 18: Access and participation requirements</i>	51-54
<i>Principle 19: Tiered participation arrangements</i>	54-55
<i>Principle 20: PFMI Links</i>	55-57
<i>Principle 21: Efficiency and Effectiveness</i>	57-59
<i>Principle 22: Communication procedures and standards</i>	59-60
<i>Principle 23: Disclosure of rules, key procedures and market data</i>	60-63
<i>Principle 24: Disclosure of market data by TR.</i>	63-64

## EXECUTIVE SUMMARY

Trade Repositories (TR) are entities that maintain a centralised electronic database of transaction data in OTC derivatives and Specified Instruments. The centralised database provides both a granular view of positions and exposures product-wise and counterparty-wise, as well as a ringside view of market concentration. It supports risk reduction, operational efficiency and cost savings for the market as a whole. Centralised collection of data on all OTC derivatives and Specified Instruments enhances the transparency by data dissemination on prices and transaction volumes and assists the regulator in effective monitoring of systemic risk. By centralising the collection, storage and dissemination of information in a consistent fashion, the TR can fulfill an important function of a credible source of data on OTC derivatives and Specified Instruments for authorities, market participants and the public.

Keeping in view the need for adequate information regarding transactions concluded in the markets to ensure safety and to mitigate risks, RBI had mandated transaction level reporting for all Interbank INR IRS trades to The Clearing Corporation of India Ltd. (CCIL) in August 2007, much before the advent of the financial crisis. RBI had put in place a reporting mechanism for trades concluded in Credit Default Swaps when it introduced the instrument first for trading in Indian markets in Dec 2011. With the G20 mandate in Sept 2009, the concept of the Trade Repository was mooted. Thus, when RBI wanted to expand the scope of OTC derivative transaction reporting to all other OTC Derivative Products, it did so by announcing the formation of a Trade Repository. CCIL was tasked with the responsibility of setting up a Trade Repository for all OTC Derivatives. The reporting was implemented in phases. CCIL has been designated as a Trade Repository under the Payment and Settlement Systems (PSS) Act 2007, as amended in 2015. Dr Subir Gokarn, Deputy Governor, RBI in his inaugural address of CCIL-TR stated that “We are alive to the needs of uniformity of standards across the globe and to the fact that the CCIL-TR framework should have sufficient flexibility to conform to international standards and best practices as they evolve depending upon their relevance in the Indian context.<sup>1</sup> As a Trade Repository for various OTC derivative instruments, CCIL has enhanced the level of transparency in the markets through dissemination and publication of data.

---

<sup>1</sup> (Inaugural address by Dr. Subir Gokarn, Deputy Governor, Reserve Bank of India at CCIL Mumbai on July 9, 2012)

## CCIL TR Services

The RBI in June 2019 designated CCIL as the 'Trade Repository' for the purpose of reporting of primary and secondary market transactions in Commercial Papers (CPs), Certificates of Deposit (CDs) and repo transactions in corporate bonds / CPs / CDs. Pursuant to RBI's directions, the existing 'F-TRAC Platform' was converted into a reporting platform for the CCIL TR for CPs/CDs and Repo in Corporate Bonds/CPs/CDs (collectively referred to as the Specified Instruments) and made operational wef., 01st October, 2019.

## **SUMMARY OF MAJOR CHANGES SINCE THE LAST UPDATE OF DISCLOSURE**

This is the fourth independent disclosure of TR. The document is being modified as a part of its annual review.

Annual Review of the assessment of TR activities vis-à-vis the PFMI Principles for financial year 2021-22 has been carried out broadly on following points.

- Effective 3<sup>rd</sup> Jan 2022, CCIL TR introduced reporting of Structured Derivatives contracts by its members. ‘Structured derivative’ means an OTC derivative other than a generic derivative.
- Principle 1: Legal basis: Review of legal and Regulatory framework.
- Principle 2: Governance: Review of activities and scope of various Committees of CCIL.

## **GENERAL BACKGROUND ON THE FMI**

### **General Description:**

CCIL, set up in April 2001, is a payment system authorized under the Payment and Settlement Systems Act, 2007 and Regulations thereunder by Reserve Bank of India (RBI). It provides clearing & settlement in OTC financial market products, mainly to the wholesale market players which are also regulated entities.

Established with the objective of providing central counter party services to the OTC market trades in government securities and forex, CCIL has moved beyond its initial mandate and has bolstered and reinforced the regulator's efforts to introduce new instruments, systems and regulations in the Indian financial market. It has pioneered systems like TR for the OTC derivatives market and has developed electronic trading platforms for various segments of the G-Sec, money, forex and OTC derivatives market under its subsidiary Clearcorp. In view of its critical importance to the Indian financial system, CCIL has been designated as a critical Financial Market Infrastructure (FMI) by RBI and it has given CCIL the status of a Qualified Central Counterparty (QCCP) on January 1, 2014. CCIL has also been accorded recognition as a "third country CCP" with effect from March 29, 2017 under the European Market Infrastructure Regulation ("EMIR"), following recognition of India as an equivalent regime by European Commission's decision dated December 15, 2016.

### **General Organization of the FMI:**

CCIL is a public limited company registered in India under the Indian Companies Act, 1956 [replaced by Companies Act 2013]. The oversight of the governance of CCIL is vested in the Board of Directors. The roles and responsibilities of the Directors are clearly set out in the Companies Act, 2013, the PSS Act and the Directions for Central Counterparties as issued by RBI and also in a separate Corporate Governance policy put in place by the Company. The overall functions of the Company are supervised and managed by the Board whereas specific interest areas have been delegated to the Committees of the Board. The Managing Director looks into the day to day functioning of the Company assisted by a very strong group of senior officials who are professionals and market experts and function as Line Officials. Line Officials are supported by middle management and supervisory grade officials.

CCIL has a sound structure of corporate governance. CCIL has put in place a policy on Director's appointment, remuneration including the criteria for determining qualifications,



independence, evaluation of Directors performance etc. in terms of the requirements under the Companies Act, 2013. The Board of Directors as on March 31, 2022 comprises of thirteen (13) Directors, consisting of nominees of Shareholders, Independent Directors and the Managing Director.

### **Legal and Regulatory Framework:**

CCIL has been designated as a TR under Section 34 A (2) of the PSS Act for the OTC interest rate, credit and foreign exchange derivatives as mandated by the RBI from time to time. Further, in June 2019, RBI designated CCIL as the 'Trade Repository' for the purpose of reporting of primary and secondary market transactions in CPs, CDs and repo transactions in corporate bonds / CPs / CDs.

The relationship between CCIL and its members is governed by the TR Rules and the Directives issued by RBI from time to time.

### **System Design and Operations:**

CCIL launched the trade reporting platform for Rupee IRS and FRA on August 30, 2007. The instruments covered for trade reporting on this platform are IRS, Fixed Float and Basis Swaps (Upto maximum maturity of 10 years) and FRA with maximum maturity of 10 years. Besides providing an automated central trade processing infrastructure, CCIL also extends post-trade processing services like interest rate reset, holiday handling, tracking payment obligation of members on their outstanding contracts etc.

CCIL has also developed a TR, for the purpose of reporting of CDS trades in the market in December 2011. CCIL launched its TR services for OTC Foreign Exchange Derivatives on July 9, 2012. The first phase of the OTC foreign exchange (FX) derivative TR service began with the capture of all inter-bank forex forwards and swaps in the USD-INR currency pair, and currency options in FCY-INR. The second phase covering all inter-bank FCY-INR, FCY-FCY Forwards, Swaps and FCY-FCY Options was operationalised with effect from November 5, 2012. From April 2013, banks report forex derivative trades (forwards and options) concluded by them with clients. The final phase in December 2013 involved the mandatory reporting of all inter-bank and client level Cross Currency swaps, FCY IRS/FRA and also client level Rupee IRS transactions. From August 2016, banks are using CCIL's Online Reporting Engine (CORE) platform for the weekly regulatory report submitted to RBI for FCY/INR OTC FX Options. Effective March, 2019, CCIL-TR facilitates capture of both

Interbank and Client Interest Rate Options and Swaptions. Various options are provided to members for reporting the trade data to CCIL-TR. Where both parties to the trade are members of CCIL-TR, the reporting is bilateral i.e. both parties to the trade are obligated to report the trade data to CCIL-TR. However, client trades are reported unilaterally by the market maker. All subsequent life cycle events are also reported to CCIL-TR. Trade status is made available to both members and the regulator through pre-structured reports and through the CORE Platform.

F-TRAC reporting platform has been in operation since 2011 for reporting trades in Specified Instruments. Trades are reported by both counterparties to the trade and matched on the platform on specific criteria. Matched trades are forwarded to the Clearing Corporations of Stock Exchanges in a STP manner for settlements. Presently, client trade reporting is not available on F-TRAC. All investors have to become direct members of the F-TRAC platform. Pursuant to RBI's directions designating CCIL as the 'Trade Repository' for the purpose of reporting of primary and secondary market transactions in CPs, CDs and repo transactions in corporate bonds / CPs / CDs, the existing 'F-TRAC Platform' was converted into a reporting platform for the CCIL TR for CPs/CDs and Repo in Corporate Bonds/CPs/CDs(collectively referred as Specified Instruments).

Effective 1st June 2020, reporting of NDDC to CCIL TR undertaken by banks in India through their IBUs (IFSC Banking Unit) or through their branches in India or through their foreign branches (in case of foreign branches of Indian Banks), has commenced.

Government of India notified CCIL, a "designated Trade Repository"(TR) under sub-section (2) of Section 34A of the Payment and Settlement Systems Act, 2007 (51 of 2007), as a "stock exchange" for the limited purposes of acting as a "collecting agent" for collection of stamp duty on OTC Derivatives trades reported by its members to CCIL TR. Accordingly, since 1st July 2020, CCIL TR has been computing, collecting and discharging the stamp duty to respective state governments on OTC derivatives trades reported to CCIL TR by its members.

Effective 3<sup>rd</sup> Jan 2022, CCIL TR introduced reporting of Structured Derivatives contracts by its members. 'Structured derivative' means an OTC derivative other than a generic derivative.

## PRINCIPLES APPLICABLE TO TRADE REPOSITORIES

### **Principle 1: Legal Basis.**

An FMI should have a well-founded, clear, transparent, and enforceable legal basis for each material aspect of its activities in all relevant jurisdictions.

### **Principle 2: Governance.**

An FMI should have governance arrangements that are clear and transparent, promote the safety and efficiency of the FMI, and support the stability of the broader financial system, other relevant public interest considerations, and the objectives of relevant stakeholders.

### **Principle 3: Framework for the comprehensive management of risks.**

FMI should have a sound risk-management framework for comprehensively managing legal, credit, liquidity, operational, and other risks.

### **Principle 15: General Business Risk.**

An FMI should identify, monitor, and manage its general business risk and hold sufficient liquid net assets funded by equity to cover potential general business losses so that it can continue providing operations and services as a going concern if those losses materialise. Further, liquid net assets should at all times be sufficient to ensure a recovery or orderly wind-down of critical operations and services.

### **Principle 17: Operational Risk.**

An FMI should identify the plausible sources of operational risk, both internal and external, and mitigate their impact through the use of appropriate systems, policies, procedures, and controls. Systems should be designed to ensure a high degree of security and operational reliability, and should have adequate, scalable capacity. Business continuity management should aim for timely recovery of operations and fulfilment of the FMI's obligations, including in the event of a wide-scale or major disruption.

### **Principle 18: Access and participation requirements.**

An FMI should have objective, risk-based, and publicly disclosed criteria for participation, which permit fair and open access.

**Principle 19: Tiered participation arrangements.**

An FMI should identify, monitor, and manage the material risks to the FMI arising from tiered participation arrangements.

**Principle 20: FMI links.**

An FMI that establishes a link with one or more FMIs should identify, monitor, and manage link-related risks.

**Principle 21: Efficiency and effectiveness.**

An FMI should be efficient and effective in meeting the requirements of its participants and the markets it serves.

**Principle 22: Communication procedures and standards.**

An FMI should use, or at a minimum accommodate, relevant internationally accepted communication procedures and standards in order to facilitate efficient payment, clearing, settlement, and recording.

**Principle 23: Disclosure of rules, key procedures, and market data.**

An FMI should have clear and comprehensive rules and procedures and should provide sufficient information to enable participants to have an accurate understanding of the risks, fees, and other material costs they incur by participating in the FMI. All relevant rules and key procedures should be publicly disclosed.

**Principle 24: Disclosure of market data by trade repositories.**

A TR should provide timely and accurate data to relevant authorities and the public in line with their respective needs.

**PRINCIPLE-BY-PRINCIPLE SUMMARY NARRATIVE DISCLOSURE**

CCIL TR does not provide settlement, collateral, margin, physical deliveries, central securities depositories and custodian services. Consequently credit, liquidity, custodian and investment risks are not relevant for the trade repository.

Assessment Category	Principle
Observed	1,2,3,15,17,18,19,20,21,22,23 &24.
Not applicable	4,5,6,7,8,9,10,11,12,13,14 &16.

**DETAILED ASSESSMENT REPORT –CCIL TR****Principle 1: Legal basis**

An FMI should have a well-founded, clear, transparent, and enforceable legal basis for each material aspect of its activities in all relevant jurisdictions.

Key consideration 1	The legal basis should provide a high degree of certainty for each material aspect of an FMI’s activities in all relevant jurisdictions.
Description	<p><i>Material aspects and relevant jurisdictions</i></p> <p><b>Material aspects of the TR’s activity requiring legal certainty are:</b></p> <ul style="list-style-type: none"> <li>• Functioning as a TR and its operating rules and procedures</li> <li>• Protection of records it maintains; and</li> <li>• Protection of rights of the participants and other stakeholders on access, confidentiality of data and disclosure of data.</li> </ul> <p><b>The relevant jurisdictions are:</b></p> <ul style="list-style-type: none"> <li>• India (for all reporting segments);</li> </ul> <p><i>Legal basis for each material aspect</i></p> <p>The PSS Act, <i>inter alia</i> provides for the confidentiality of information to be maintained by a TR and also a dispute resolution mechanism.</p> <p>CCIL-TR Rules governing the relationship between CCIL-TR and members are made available on the website for members. Requirement to report all</p>

	<p>OTC derivative transactions to CCIL –TR was issued by RBI vide its notifications in 4 phases, starting from April 2012 to December 2013. The RBI in June 2019 designated CCIL as the ‘Trade Repository’ for the purpose of reporting of primary and secondary market transactions in CPs / CDs and repo transactions in corporate bonds. As per the notifications, CCIL-TR has issued detailed operational guidelines (and are updated where necessary) which are required to be adhered to by the members. Notifications issued by RBI from time to time, regarding introduction of any new products/asset classes as and when permitted in India, contains the requirement to report the trades by market makers to CCIL-TR.</p>
<p><b>Key consideration 2</b></p>	<p><b>An FMI should have rules, procedures, and contracts that are clear, understandable, and consistent with relevant laws and regulations.</b></p>
<p>Description</p>	<p>CCIL-TR Rules governing the relationship between CCIL-TR and its members are clear and transparent. These Rules are made available on the CCIL website. The TR services have been implemented in phases. RBI has, at every phase, issued guidelines defining the scope of reporting which have been supplemented with detailed operational guidelines by CCIL-TR. In addition, members are provided with detailed operational manuals to facilitate reporting on the CORE Platform.</p> <p>The RBI in June 2019 designated CCIL as the ‘Trade Repository’ for the purpose of reporting of primary and secondary market transactions in CPs, CDs and repo transactions in corporate bonds / CPs / CDs. Pursuant to RBI’s directions and board approval, the existing ‘F-TRAC Platform’ was converted into CCIL TR F-TRAC Platform and made operational wef., 01st October, 2019. Detailed operational guidelines have been issued to participants on the reporting mechanism.</p> <p>The Company has put in place an internal committee comprising of senior officials to formulate, review and update the rules . Upon such review, the rules as formulated or amended along with an independent review by the solicitors and in-house Legal Department and are placed before the Board’s committee for recommendation to the Board for its approval. The Board</p>

	<p>deliberates and accords its approval subject to changes if any. Review of these Rules is also undertaken from time to time.</p> <p>Any change to CCIL-TR Rules is subject to internal and external legal review, as appropriate. It also requires approval of the authority i.e., the Board of Directors of CCIL. Further, any change to the CCIL-TR Rules is also sent to - RBI, as Regulator.</p> <p>For contracts, either legal department validates these or external legal opinion is obtained.</p>
<b>Key consideration 3</b>	<b>An FMI should be able to articulate the legal basis for its activities to relevant authorities, participants, and, where relevant, participants' customers, in a clear and understandable way.</b>
Description	<p>The PSS Act amended in 2015 has extended the applicability of the PSS Act to the designated Trade Repository. In India, RBI has designated CCIL as the designated Trade repository for OTC derivatives. RBI in June 2019 designated CCIL as the 'Trade Repository' for the purpose of reporting of primary and secondary market transactions in CPs, CDs and repo transactions in corporate bonds. The legal basis for activities of the CCIL-TR is amply and clearly articulated in CCIL-TR Rules which govern the legal relationship between CCIL and its members and have got the status of subordinate legislation under the Payment and Settlement Systems Regulations, 2008 enacted under the Payment and Settlement Systems Act 2007, a Central Act passed by the Parliament. These govern the processes under the statute and are uploaded on the Company's website for easy accessibility to the stakeholders. Presently, only members of CCIL-TR are required to report the trades to CCIL-TR, clients are not required to report the trades to CCIL-TR.</p>
<b>Key consideration 4</b>	<b>An FMI should have rules, procedures, and contracts that are enforceable in all relevant jurisdictions. There should be a high degree of certainty that actions taken by the FMI under such rules and procedures will not be voided, reversed, or subject to stays.</b>

Description	<p>Applicable jurisdiction for CCIL-TR is India.</p> <p><b><u>Enforceability of rules, procedures and contracts:</u></b></p> <p>The enactment of the PSS Act , 2007, and its subsequent amendment in 2015 by the Government of India has imparted a very high degree of legal basis to CCIL’s Rules and Procedures and consequently the legal enforceability of its operations is fully assured.</p> <p>The CCIL-TR Rules govern the relationship between members and the TR. Also, the various notifications issued by RBI at the time of implementation of each phase of TR are mandatory in nature based on which operational guidelines were issued by CCIL- TR. Sufficient notice is provided to members for implementation of any change.</p> <p><b><i>Degree of certainty for rules and procedures</i></b></p> <p>Very clear legal basis provided under the PSS Act to the functioning of CCIL-TR in terms of its Rules and procedures which are authorized and monitored by RBI as regulator under the Act, provides high degree of certainty for its rules and procedures.</p> <p>Contracts are vetted either by Legal Department, or External legal opinion is obtained.</p>
<b>Key consideration 5</b>	<b>An FMI conducting business in multiple jurisdictions should identify and mitigate the risks arising from any potential conflict of laws across jurisdictions.</b>
Description	TR operations of CCIL are within the Indian jurisdiction.

**Principle 2: Governance**

An FMI should have governance arrangements that are clear and transparent, promote the safety and efficiency of the FMI, and support the stability of the broader financial system, other relevant public interest considerations, and the objectives of relevant stakeholders.

<b>Key consideration 1</b>	<b>An FMI should have objectives that place a high priority on the safety and efficiency of the FMI and explicitly support financial stability and other relevant public interest considerations</b>
Description	CCIL-TR maintains a centralised electronic record (database) of OTC



	<p>derivatives and Specified Instruments. The data is accessible to RBI on an online basis across members and products which helps them in assessing systemic risk. Data is also disseminated on CCIL’s website and is freely available to the public, which improves transparency in the market.</p> <p>As one of the objectives in the Mission statement, safety gets top-most priority. Safety is achieved through well laid IT infrastructure with adequate redundancy. CCIL-TR is covered under the CCIL’s enterprise ISO 27001:2013 certification for information security.</p> <p>Processes are automated wherever feasible to bring efficiency. Every effort is made to avoid duplication of reporting and use existing processes without compromising safety, to the maximum possible extent.</p> <p>Independent experts in CCIL Board of directors help to keep adequate focus on relevant public interest considerations. CCIL is a user owned organisation where owners are users of the services offered by the Company and some of them also have representation in the Board. Before introduction of a new product, member’s feedback is obtained and regular interactions with market bodies like FIMMDA, FEDAI etc. are also held to discuss necessary aspects of the product. CCIL-TR also works in close coordination with the regulator in the identification of data requirements for both RBI and the public at large.</p> <p>All this helps CCIL in ensuring relevant public interest considerations in-its objectives.</p>
<p><b>Key consideration 2</b></p>	<p><b>An FMI should have documented governance arrangements that provide clear and direct lines of responsibility and accountability. These arrangements should be disclosed to owners, relevant authorities, participants, and, at a more general level, the public.</b></p>
<p>Description</p>	<p><b><u>Governance arrangements:</u></b></p> <p>CCIL is formed as a public limited company in India under the Indian Companies Act, 1956 [replaced by Companies Act 2013]. The oversight of</p>

the overall governance of CCIL is vested with the Board of Directors. CCIL has a very healthy and sound structure of corporate governance. It has a number of Committees of the Board and external committees which oversee various functions of CCIL under the overall supervision of the Board.

Under the overall supervision and control of the Board of Directors of CCIL, a Managing Director has been appointed who is entrusted with the day to day functions of CCIL. The Managing Director is assisted by a very strong group of senior officials who are professionals and market experts and function as Line Officials. Line Officials are supported by middle management and supervisory officials.

CCIL conducts periodical general body meetings and annual general meetings and reports to owners the developments in respect of CCIL's functioning, which includes TR operations and takes their approvals, wherever required under the Companies Act, 2013 or under any other requirements.

The Management and Administration of the Company is within the overall legal framework under the Companies Act, 2013 and PSS Act and the Directions for Central Counterparties (CCP Directions) issued thereunder by RBI. The same is also documented under Company's charter and policies governing its management.

CCIL conducts User Group meetings periodically on critical issues touching upon the functioning of CCIL-TR and take their feedback. For major changes, a Consultation Paper is also issued for feedback from all relevant stakeholders. Further, under its CCIL-TR Rules read with PSS Act and its Regulations, the accountability of CCIL to its members and regulator are clearly provided. Further, adequate and timely disclosure of the information is made to the shareholders from time to time in terms of the requirements under the Companies Act, 2013.

	<p><b><u>Disclosure of governance arrangements:</u></b></p> <p>The relevant governance arrangements, related changes and reviews are communicated to the owners, relevant authorities, users either through the Annual Report or statutory returns which are mandatory under the Companies Act or PSS Act or CCP Directions and through necessary disclosures on the website of the Company. The Companies Act, 2013 has made the Annual Report to be prepared by the Companies to be more detailed and extensive in terms of information and disclosures. The same is also filed with RBI. The audited Financial Statements are displayed on the website as required under the PSS Act, 2007. In addition, a separate Code of Conduct for Directors has also been put in place by the Company. CCIL also makes qualitative disclosures covering this area, which are available on the Company's website.</p>
<p><b>Key consideration 3</b></p>	<p><b>The roles and responsibilities of an FMI's board of directors (or equivalent) should be clearly specified, and there should be documented procedures for its functioning, including procedures to identify, address, and manage member conflicts of interest. The board should review both its overall performance and the performance of its individual board members regularly.</b></p>

<p>Description</p>	<p><b><u>Roles and responsibilities of the board:</u></b></p> <p>The overall functioning of CCIL is overseen by the Board of Directors of the Company. The roles and responsibilities of the Directors are very clearly set out in the Companies Act, 2013, CCP Directions and a separate Corporate Governance policy has been put in place by the FMI.</p> <p>The provisions of the Companies Act, 2013 contain detailed disclosure requirements especially those relating to disclosures by Directors of their general and specific interests which the Directors have to furnish from time to time which are broadly as follows :-</p> <ul style="list-style-type: none"> <li>• The Directors are required to furnish disclosure of interest / concern at the time of their appointment at the first meeting of the Board in which</li> </ul>
--------------------	--

	<p>he/she participates as a Director.</p> <ul style="list-style-type: none"> <li>• Further, the Directors are required to furnish yearly disclosure at the first meeting of the Board in every financial year.</li> <li>• The Directors are also required to disclose to the Company of any change in their status / interest on an ongoing basis, mainly at the first Board Meeting after such change / becoming interested.</li> </ul> <p>The Disclosures, Registers of contracts in which Directors are interested are also audited by the Internal Auditors and Secretarial Auditors</p> <p>The composite and overall Policy level decisions of CCIL are undertaken by the Board whereas specific interest areas have been delegated to the Committees of the Board.</p> <p>The Committees undertake specific areas of activity entrusted to them and take all decisions connected with it and oversee implementation of the same by close monitoring through periodic meetings and wherever required make suitable recommendations to the Board. The Committees consist of Directors who are professionally qualified with rich experience to discharge the responsibilities entrusted to them. The various Committees of the Board along with their scope are under:</p> <p><b>LIST OF COMMITTEES</b></p> <p><b>1. Audit Committee (Scope)</b></p> <ul style="list-style-type: none"> <li>• To recommend the appointment, remuneration and terms of appointment of auditors of the Company;</li> <li>• To review and monitor the auditor's independence and performance, and effectiveness of audit process;</li> <li>• Examination of the financial statement and the auditors report thereon,</li> <li>• Approval or any subsequent modification of transactions of the Company with related parties as required under the Companies Act,</li> </ul>
--	--

	<p>2013 and Rules thereunder;</p> <ul style="list-style-type: none"> <li>• Scrutiny of inter-corporate loans and investments;</li> <li>• Valuation of undertakings or assets of the Company, wherever it is necessary;</li> <li>• Evaluation of internal financial controls and risk management systems;</li> <li>• Monitoring the end use of funds raised through public offers and related matters;</li> <li>• Oversee the vigil mechanism i.e. Whistle blower policy of the Company.</li> <li>• To review periodic unaudited financial statements and internal and operational audit reports concurrent audit reports, secretarial audit reports and systems audit reports;</li> <li>• Review of report of compliances of applicable Laws as reported by the Internal and Operations Auditors.</li> <li>• Such other matters as may be referred to by the Board or as required under the Companies Act, 2013 or The Payment and Settlement Systems Act, 2007 or Rules and Regulations there under as amended from time to time.</li> </ul> <p><b>2. Committee of Directors for Bye-Laws, Rules and Regulations</b></p> <p><b>(BRR) (Scope)</b></p> <ul style="list-style-type: none"> <li>• To recommend to the Board such changes /modifications in the Bye-laws, Rules, Regulations, undertakings, other documents etc. of the Company as required.</li> <li>• To advise / review / recommend Bye Laws, Rules and Regulations related matters for subsidiary company as may be delegated / referred by the Board of the subsidiary from time to time.</li> </ul> <p><b>3. Technical Approval Committee (TAC) (Scope)</b></p> <ul style="list-style-type: none"> <li>• To formulate a detailed Information Technology policy for the Company which shall be approved by the Board.</li> <li>• To advise / recommend / approve /decide in matters related to IT</li> </ul>
--	---

	<p>systems/ infrastructure/ policies/ procedures/ guidelines/ approach etc.</p> <ul style="list-style-type: none"> <li>• To oversee IT related systems and infrastructure of the Company.</li> <li>• Consider and accept all audit reports related to systems / IT.</li> <li>• Consider and approve the capital and revenue budget for IT.</li> <li>• Consider and approve/ sanction IT related capital and revenue expenditure that exceed the financial powers delegated by the Board to the Managing Director</li> <li>• To recommend appointment of Auditors such as Information Security (ISO), Systems Audit, etc. to the Audit Committee for approval by the Board.</li> <li>• Review the Business Continuity management processes/ manual and disaster recovery drills that are undertaken periodically.</li> <li>• To advise / review / recommend Information Technology related matters for subsidiary companies as may be delegated / referred by the Board of subsidiaries from time to time.       <ul style="list-style-type: none"> <li>• Any other technical proposal/item that the Company may consider relevant or incidental thereto.</li> </ul> </li> </ul> <p><b>4. Human Resources Committee (Scope)</b></p> <ul style="list-style-type: none"> <li>• To review the current organizational structure of the Company and compensation package for the staff excluding senior management staff i.e. one level below the Board.</li> <li>• To recommend and review recruitment, succession, retirement plan</li> <li>• To approve any amendments in Staff Rules as may be required from time to time other than amendments pertaining to compensation package</li> <li>• To approve such other changes in any HR related policies of operational nature other than those which are of monetary nature.</li> <li>• To review the staff training and development activities undertaken.</li> <li>• To advise / review / recommend remuneration policy and other Human Resources related matters for subsidiary companies as may be</li> </ul>
--	--

	<p>delegated / referred by the Board of subsidiaries from time to time</p> <ul style="list-style-type: none"> <li>• Such other matters as may be referred to by the Board from time to time.</li> </ul> <p><b>5. Committee of Directors on Risk Management (Scope)</b></p> <ul style="list-style-type: none"> <li>• Review and approve the Risk Management Framework for the Company</li> <li>• Address and decide on all issues relating to the Risk Management of the Company and report the same to the Board at their subsequent meetings.</li> <li>• Review and approve risk management policies and processes covering various risks associated with clearing and settlement for various segments</li> <li>• Review and approve the risk management processes for new products and services.</li> <li>• Consider recommendations of RBI Inspection and its compliance by CCIL.</li> <li>• Review of Investment Portfolio.</li> <li>• To consider views/ recommendations of Risk Advisory Group (RAG) and approve any changes to the composition of RAG.</li> <li>• To select External experts for validation of risk model and processes and review assessment reports from the experts.</li> <li>• To ratify the decision of the selection of the External rating agency for providing risk ratings of members.</li> <li>• Take note of the exception events, status of various critical control measures and provide suitable guidance.</li> <li>• To lay down criteria/policy for membership relating to admission, continuation and suspension etc., in various business segments from time to time.</li> <li>• Approve the first time membership of the company to a new entrant, membership screening and approval process, to call for such additional information and/or clarifications as it deems</li> </ul>
--	--

	<p>necessary to consider requests for grant of membership.</p> <ul style="list-style-type: none"> <li>• To advise / review / recommend Risk Management related matters for subsidiary company as may be delegated / referred by the Board of the subsidiary from time to time</li> <li>• Such other matter or issue relating to risk as may be relevant.</li> </ul> <p><b>6. Nomination and Remuneration Committee of Directors (Scope)</b></p> <ul style="list-style-type: none"> <li>• To identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down.</li> <li>• To recommend to the Board their appointment and removal.</li> <li>• To review and recommend to the Board succession plan for the Senior Management.</li> <li>• To carry out evaluation of every Director's performance and /or to specify the manner for effective evaluation of performance of the Board, its committees and individual Directors to be carried out either by the Board, by the Committee (NRC) or by an independent external agency and review its implementation and compliance.</li> <li>• To formulate the criteria for determining qualifications, positive attributes and independence of a director.</li> <li>• To recommend to the Board a policy relating to the remuneration for the directors, key managerial personnel and other employees in terms of the provisions of section 178(4) of the Companies Act, 2013 and to carry out annual review of the Policy relating to the remuneration for the Directors, Managing Director and senior management in terms of Directions for Central Counterparties issued by RBI.</li> <li>• To scrutinize the candidature of Directors to —fit and proper test in terms of RBI CCP Directions and then recommend to the Board.</li> <li>• To determine/recommend the terms and conditions of the appointment/reappointment, compensation of the Managing Director and Chairperson of the Company.</li> <li>• To recommend to the Board the roles and responsibilities of Senior</li> </ul>
--	--



	<p>Management.</p> <ul style="list-style-type: none"> <li>• To look into Governance issues of the Company.</li> <li>• Such other activities as may be delegated by the Board or as required under the Companies Act, 2013 as amended from time to time.</li> </ul> <p><b>7. Corporate Social Responsibility Committee (Scope)</b></p> <ul style="list-style-type: none"> <li>• To formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the Company in areas or subjects specified in Schedule VII of the Companies Act, 2013, specifying modalities of execution of such project or programs and implementation schedule for the same and monitoring the process of such projects or programs.</li> <li>• To recommend the amount of expenditure to be incurred on the activities referred to in clause (i) in terms of the provisions of Section 135 of the Companies Act, 2013;</li> <li>• To monitor the Corporate Social Responsibility Policy of the Company from time to time by instituting a transparent monitoring mechanism for implementation of the CSR projects or programs or activities undertaken by the Company.</li> <li>• Such other activities as may be delegated by the Board from time to time or as required under the Companies Act, 2013 as amended from time to time.</li> <li>• To formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the Company in areas or subject, specified in Schedule VII of the Companies Act, 2013, specifying modalities of execution of such projects or programs which may be annual or ongoing in nature [as defined under the Companies (Corporate Social Responsibility Policy) Amendment Rules 2021 which may be amended from time to time] and implementation schedule for the same and monitoring the process of such projects or programs.</li> </ul>
--	--

	<ul style="list-style-type: none"> <li>• To recommend to the Board an Annual Action Plan of CSR activities to be undertaken in pursuance of Schedule VII of the Companies Act, 2013 and the CSR Policy which shall include the details as specified under the Companies (Corporate Social Responsibility Policy) Rules, 2014 as amended from time to time and recommending any amendment to the approved Action Plan during a financial year.</li> <li>• To recommend the amount of expenditure to be incurred on the activities referred to in clause (i) in terms of the provisions of Section 135 of the Companies Act, 2013 as amended from time to time;</li> <li>• To review and recommend to the Board, the treatment of unspent / excess spent of CSR funds and surplus arising out of CSR activities, if any in accordance with the provisions of the Companies Act 2013 and Rules made thereunder as amended from time to time.</li> <li>• To monitor the activities undertaken pursuant to Corporate Social Responsibility Policy of the Company from time to time by instituting a transparent monitoring mechanism for implementation and reporting of the CSR projects or programs or activities undertaken by the Company.</li> <li>• To review and recommend to the Board the appointment of an independent agency for carrying out impact assessment and impact assessment reports, if any, of the CSR Projects undertaken by the Company.</li> <li>• To review and recommend to the Board the funds utilisation certificate submitted by the Chief Financial Officer or the person responsible for financial management.</li> <li>• Such other activities as may be delegated by the Board from time to time or as required under the Companies Act, 2013 and Rules made thereunder as amended from time to time.”</li> </ul> <p><b>8. Investment Committee of Directors (Scope)</b></p> <ul style="list-style-type: none"> <li>• To invest the funds of the Company, in terms of Section 179(3) of the Companies Act, 2013 and in accordance with the Investment norms approved by the Board, in the absence of the Managing Director.</li> </ul>
--	--

**9. Premises Advisory Committee (External Committee) (Scope)**

- To advise the Company on its requirements of commercial / residential premises, acquiring of commercial/ residential premises on ownership / lease basis;
- Floating a request for proposal (RFP), inviting proposals from architects for the construction of the proposed buildings;
- Selection and appointment of Project Managers, consultants, contractors etc. for designing and execution of engineering services and Building Management Systems, Fire, Safety and Security related works.,
- To liaise with relevant agencies and other authorities for obtaining necessary permissions / approvals on behalf of the Company;
- Carrying out techno-commercial discussions, negotiations with Architects, Project Managers, Consultants and Contractors;
- Reviewing tenders, Specifications, Bill of Quantities, Designs made by architects, Project Managers, Consultants, Suggest modification, alteration if any;
- Such other matter incidental to acquisition and maintenance of premises.

**10. Committee of Directors for the Transfer of Shares (Scope)**

- To approve and register transfer/transmission of shares
- To sub-divide/split, consolidate and issue new share certificates.
- To authorize affixation of common seal of the company.
- To issue share certificates in place of those which are lost or damaged or in which the pages are completely exhausted provided the original damaged certificates are surrendered to the company.
- To do all such incidental or ancillary acts, things and deeds in connection with the above.

**11.Regulatory Compliance Committee (Scope)**

	<ul style="list-style-type: none"> <li>• Review the compliance to the requirements under Payment and Settlement Systems Act, 2007 and Regulations made thereunder.</li> <li>• Review the compliance to the requirements under the Companies Act, 2013 and rules framed thereunder.</li> <li>• Review the compliance to directions issued by RBI from time to time.</li> <li>• Monitor the compliance of recommendations arising out of inspection carried out by RBI.</li> <li>• Any other matter as may be specified by the Board / RBI from time to time.</li> </ul> <p>The scope of various committees is periodically reviewed by the Board and requisite changes are made as per the requirements.</p> <p><u>Review of performance:</u></p> <p>Board has delegated many of its core responsibilities to its Committees and decisions taken by the Committees are reviewed by the Board on a continuous basis. Moreover, RBI as Regulator reviews the performance of the Board at the time of its periodic inspections.</p> <p>Further, the Company has also put in place an evaluation mechanism for the Board members, Board Committees and Board as a whole in terms of the requirements under the Companies Act, 2013. In terms of the said evaluation mechanism, the performance of the Board as a whole, non-independent directors and the Chairman is evaluated by the Independent Directors and the performance of Independent Directors is evaluated by the entire Board excluding the independent director being evaluated. The Board also carries out the evaluation of the performance of the Committees constituted by it.</p>
<b>Key consideration 4</b>	<b>The board should contain suitable members with the appropriate skills and incentives to fulfill its multiple roles. This typically requires the inclusion of non-executive board member(s).</b>
Description	The Company has put in place policy on directors appointment and remuneration including the criteria for determining qualifications, positive

	<p>attributes and independence of a Director, etc. of the Company.</p> <p>Skill sets necessary are in the areas of –</p> <ul style="list-style-type: none"><li>a) Treasury</li><li>b) Risk Management</li><li>c) Information Technology</li><li>d) Legal</li><li>e) Management</li><li>f) Accounts and Audit.</li></ul> <p>Independent Directors with these skill sets have been inducted in CCIL Board. Further, the core promoters of the Company and other shareholders who are also the market participants and hold at least 5% of the equity share capital have a right to nominate their serving officials as Nominee Directors of CCIL.</p> <p>CCIL has been providing sitting fees to the Board members except to the Managing Director for attending the Board and committee meetings under the Companies Act 2013.</p> <p>The Managing Director is remunerated subject to the provisions of the Companies Act, 2013, and the rules made thereunder.</p> <p>The Board of Directors as on March 31, 2022 comprises of thirteen (13) Directors, consisting of nominees of Shareholders, Independent Directors and a Managing Director. The Chairman of the Board is an Independent Director.</p> <p>The FMI adopts the definition of independent Director as set out under the Companies Act 2013, which is applicable to it and as mentioned below. The FMI also categorises the Directors into independent and non-independent Directors as per the requirement of the Companies Act as also stipulated by its regulator i.e. RBI and discloses the same accordingly.</p> <p>Criteria for an Independent Director as laid down under Section 149(6) of</p>
--	--

	<p>the Companies Act, 2013 and rules made thereunder:</p> <ul style="list-style-type: none"> <li>(a) who, in the opinion of the Board, is a person of integrity and possesses relevant expertise and experience;</li> <li>(b) (i) who is or was not a promoter of the company or its holding, subsidiary or associate company;</li> <li style="padding-left: 2em;">(ii) who is not related to promoters or directors in the company, its holding, subsidiary or associate company;</li> <li>(c) who has or had no pecuniary relationship, other than remuneration as such director or having transaction not exceeding ten per cent. of his total income or such amount as may be prescribed, with the company, its holding, subsidiary or associate company, or their promoters, or directors, during the two immediately preceding financial years or during the current financial year;</li> <li>(d) none of whose relatives—             <ul style="list-style-type: none"> <li>(i) is holding any security of or interest in the company, its holding, subsidiary or associate company during the two immediately preceding financial years or during the current financial year: Provided that the relative may hold security or interest in the company of face value not exceeding fifty lakh rupees or two per cent. of the paid-up capital of the company, its holding, subsidiary or associate company or such higher sum as may be prescribed;</li> <li>(ii) is indebted to the company, its holding, subsidiary or associate company or their promoters, or directors, in excess of such amount as may be prescribed during the two immediately preceding financial years or during the current financial year;</li> <li>(iii) has given a guarantee or provided any security in connection with the indebtedness of any third person to the company, its holding, subsidiary or associate company or their promoters, or directors of such holding company, for such amount as may be prescribed during the two immediately preceding financial years or during the current financial year; or</li> </ul> </li> </ul>
--	---

	<p>(iv) has any other pecuniary transaction or relationship with the company, or its subsidiary, or its holding or associate company amounting to two per cent. or more of its gross turnover or total income singly or in combination with the transactions referred to in sub-clause (i), (ii) or (iii);</p> <p>(e) who, neither himself nor any of his relatives—</p> <p>(i) holds or has held the position of a key managerial personnel or is or has been employee of the company or its holding, subsidiary or associate company in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed;          Provided that in case of a relative who is an employee, the restriction under this clause shall not apply for his employment during preceding three financial years</p> <p>(ii) is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed, of—</p> <p>(i) a firm of auditors or company secretaries in practice or cost auditors of the company or its holding, subsidiary or associate company; or</p> <p>(ii) any legal or a consulting firm that has or had any transaction with the company, its holding, subsidiary or associate company amounting to ten per cent or more of the gross turnover of such firm;</p> <p>(iii) holds together with his relatives two per cent or more of the total voting power of the company; or</p> <p>(iv) is a Chief Executive or director, by whatever name called, of any non-profit organisation that receives twenty-five per cent. or more of its receipts from the company, any of its promoters, directors or its holding, subsidiary or associate company or that holds two per cent. or more of the total voting power</p>
--	--

	<p>of the company; or</p> <p>(v) who possesses appropriate skills, experience and knowledge in one or more of the fields of finance, law, management, sales, marketing, administration, research, Corporate Governance, technical operations or other related to company's business and such other qualifications as may be prescribed.</p>
<b>Key consideration 5</b>	<b>The roles and responsibilities of management should be clearly specified. An FMI's management should have the appropriate experience, a mix of skills, and the integrity necessary to discharge their responsibilities for the operation and risk management of the FMI.</b>
Description	<p><u>Roles and responsibilities of management:</u></p> <p>The roles and responsibilities of the Senior management have been laid down by the Company duly approved by the Nomination and Remuneration Committee and the Board of Directors of the Company. The responsibilities of the management are to oversee the overall functioning of the Company and to conduct the affairs of the Company under the control and supervision of the Board. Senior Management is vested with the responsibility of the day to day functions of the Company. They act as line management. In line with the provisions of the CCP Directions, following are the broad responsibilities of Senior Management as contained in the Corporate Governance Policy of the Company:</p> <ul style="list-style-type: none"> <li>a) ensuring consistency of activities with the objectives and strategies determined by the Board;</li> <li>b) designing and establishing compliance and internal control procedures promoting the objectives of the Company;</li> <li>c) regularly reviewing and testing internal control procedures;</li> <li>d) ensuring that sufficient resources are devoted to risk management and compliance;</li> <li>e) the risk control process; and</li> </ul>



	<p>f) ensuring that risks posed to the Company by its clearing and related activities are addressed.</p> <p>Board, through periodic review of the functioning of CCIL in various areas, sets objectives and goals. Based on these, objectives and goals for senior management are fixed and monitored. A suitable framework for review of the performance of the senior management vis-à-vis these objectives and goals also exists.</p> <p><b>Experience, skills and integrity:</b></p> <p>In terms of Company's policy, senior management persons are to be identified based on their professional/ technical qualifications, wherever required, market / industry experience as also the knowledge, expertise in the relevant areas of operations. Internally laid down appropriate screening process is also in place.</p> <p>Senior level management performance is suitably assessed by top management.</p> <p>There are necessary checks and balances built in the contract of employment including the process for removal of Senior Management, if necessary.</p>
<b>Key consideration 6</b>	<p><b>The board should establish a clear, documented risk-management framework) that includes the FMI's risk-tolerance policy, assigns responsibilities and accountability for risk decisions, and addresses decision making in crises and emergencies. Governance arrangements should ensure that the risk-management and internal control functions have sufficient authority, independence, resources, and access to the board.</b></p>
Description	<p><u>Risk Management Framework:</u></p> <p>A comprehensive Risk Management Framework document, detailing the</p>

various risks faced by CCIL and the measures in place to handle such risks, has been created and the same has been approved by the Board. As per the authority specified in the framework document, the Committee of Directors on Risk Management identifies various risks of the Company. The Committee formulates, monitors and reviews the Company's Risk Management Framework. The risks related to Information Technology are monitored and reviewed by the Technical Approval Committee of the Board. The Audit Committee is responsible for evaluating the risk management systems of the Company in terms of Companies Act, 2013. Various aspects of operational risk are monitored by the Audit Committee, the Risk Management Committee, and the Technical Approval Committee. Further, Regulatory and Compliance Risks are monitored by the Regulatory Compliance Committee and the Audit Committee.

Board level Committee on Risk Management is authorized to examine and approve risk tolerance policies.

Review of risk policies by the Committee of Directors on Risk Management is being done on annual basis. The Committee periodically reviews the effectiveness of various critical control measures.

Authority and independence of risk management and audit functions:

Risk Management Department headed by Chief Risk Officer is entrusted with the responsibility of designing and carrying out risk management processes for the FMI. Reporting lines of risk function is to MD who is an Executive Director with an additional line of reporting to the Chairman of the Committee of Directors on Risk Management, who is an independent Director. Audit of risk function is carried out by internal auditors as well as external professionals. Overall audit function is carried out by an Independent external audit firm appointed as Internal cum Operations Auditors. The Internal cum Operations Auditors present their reports to the Audit Committee at its quarterly meetings.

<p><b>Key consideration 7</b></p>	<p><b>The board should ensure that the FMI’s design, rules, overall strategy, and major decisions reflect appropriately the legitimate interests of its direct and indirect participants and other relevant stakeholders. Major decisions should be clearly disclosed to relevant stakeholders and, where there is a broad market impact, the public.</b></p>
<p>Description</p>	<p><u>Identification and consideration of stakeholder interests:</u></p> <p>User Groups are consulted on all important matters and any suggestion is considered carefully and transparently. For new products and services, such consultation starts at the design stage. Moreover, any change in an existing process is notified to the members (Clearing Participants) 30 days in advance. Market bodies such as FIMMDA and PDAI are consulted for fixed income products &amp; Rupee Derivatives and FEDAI for Forex products.</p> <p>Participants meet at regular intervals to discuss and provide feedback regarding their difficulties, if any and suggestions for improvements. Apart from this, for specific areas taken up for development, users are consulted through specific user group meetings. Consultation Papers are issued to members and usually to general public as well when a major structural change is proposed and feedbacks are duly considered.</p> <p>Inputs received from members and other stakeholders are made available to the Board. Introduction/modification of new procedures/fees is also discussed with members before implementation.</p> <p>Interest of all the relevant stakeholders are taken care in view of introduction/review of both new and existing products. As CCIL is a user owned organization, representatives of some of the users are present in the Board of CCIL as nominee Directors. Approval of the Board is sought for the Rules, introduction of new products, fees etc and the interest of the users is taken care.</p>

	<p><b>Disclosure:</b></p> <p>Any change to processes, except otherwise indicated by RBI, is notified to members at least 30 days in advance as required under PSS Act. All major decisions are disclosed to the relevant stakeholders where appropriate. CCIL's audited financial statements are published on website. Major announcements and changes are also put on the website.</p>
--	---

**Principle 3: Framework for the comprehensive management of risks**

An FMI should have a sound risk-management framework for comprehensively managing legal, credit, liquidity, operational, and other risks.

<b>Key consideration 1</b>	<b>An FMI should have risk-management policies, procedures, and systems that enable it to identify, measure, monitor, and manage the range of risks that arise in or are borne by the FMI. Risk-management frameworks should be subject to periodic review.</b>
----------------------------	---

Description	<p>Types of risks faced are: Operational Risk, Legal Risk and Reputational Risk</p> <p><b><u>Risk Management Process for Trade Repository</u></b></p> <p>Risk Management processes for TR form a part of the Risk Management Framework of CCIL. TR Risk management process helps to identify, measure, monitor and manage the associated risks.</p> <p>It covers :</p> <p style="text-align: center;"><b>1. Operational Risk</b></p> <p>Detailed Operational Risk Management framework is explained in Key Consideration 1, Principle 17: Operational Risk.</p> <p style="text-align: center;"><b>2. Legal risk:</b></p> <p>Legal risk includes, but is not limited to, exposure to fines, penalties or punitive damages resulting from supervisory actions, as well as ordinary damages in civil litigation, related legal costs and private settlements.</p> <p>The activities of TR are covered under the extante provisions of the PSS Act. Each bank/entity reporting trades to CCIL-TR is admitted as a member through a separate application form and is governed by CCIL-TR Rules. Members are also bound by the Directives issued by the regulator in respect of reporting to CCIL-TR. The Rules and Procedures also provide certainty on service levels, rights to access, protection of confidential information and intellectual property rights and operational reliability etc.</p>
-------------	---

	<p>The TR Rules also specifies the dispute resolution mechanism to be adopted in case of a dispute.</p> <p><b>3. Reputational Risk:</b></p> <p>The reputation of a financial institution refers to its public reputation in terms of competence, integrity, and trustworthiness, which results from the perception of the stakeholders. The reputational risk refers to a negative or positive deviation from the expected reputation.</p> <p>Reputational risk can cause the future loss of business, revenue etc.</p> <p>For TR, reputational risk can arise mostly on account of operational risks, and is therefore addressed through stringent measures to minimise operational risks. Detailed Operational Risk measures are narrated in Principle 17 : Operational Risk.</p> <p><u>Review of risk management policies, procedures and systems:</u></p> <p>Risk Management framework is subjected to annual review</p> <p><u>New processes/ policies developed internally:</u> are put up to the Board’s Committee on Risk Management for approval. Members are consulted, if required. Any change in process requires RBI approval and at least 30 days’ advance notice to the participants before implementation.</p> <p>Board’s Committee on Risk Management reviews critical control aspects and all major risk related issues during their periodic meetings (average about six in a year).</p>
<b>Key consideration 2</b>	<b>An FMI should provide incentives to participants and, where relevant, their customers to manage and contain the risks they pose to the FMI.</b>
Description	Members admitted in the TR have a regulatory requirement of reporting all the OTC derivative trades and trades in the primary and secondary market of CPs/CDs/Repo in Corporate Bonds/CPs/CDs to CCIL TR within a definite time. TR members have full access to their own trade data by way of online CORE/F-TRAC platform and reports. As the

	<p>interbank trades are required to be reported by both the counterparties and are matched in the TR, various tools have been provided to the members for reconciliation and status check. Under the extant directions of the Regulator, the Members are also required to reconcile their outstanding trades with CCIL- TR. An exception report on compliance with their report submission within specified time for OTC derivatives trades is also provided which helps them in their compliance function. There is an implicit incentive for the members to manage the risks they pose to CCIL- TR, as any risk that may impact the functioning of the TR would also impact their reporting obligations.</p>
<b>Key consideration 3</b>	<b>An FMI should regularly review the material risks it bears from and poses to other entities (such as other FMIs, settlement banks, liquidity providers, and service providers) as a result of interdependencies and develop appropriate risk-management tools to address these risks.</b>
Description	<p>For OTC derivatives, CCIL-TR does not have any link to other FMIs except its own Company's CCP operations where trades received for INR IRS segment are sent to the CCP for settlement. FX forward trades received for clearing services, are in turn internally copied from the CCP to TR. Trades reported and matched in F-TRAC platform are sent to the Clearing Corporations of Stock Exchanges for settlement. There are adequate redundancies built and BCP is in place to ensure that recovery is within the approved recovery time. Alternate reporting channel is provided to the members to access TR services for OTC derivatives. In case of any channel going down, other channel can be used for reporting which will ensure connectivity with clearing services</p>
<b>Key consideration 4</b>	<b>An FMI should identify scenarios that may potentially prevent it from being able to provide its critical operations and services as a going concern and assess the effectiveness of a full range of options for recovery or orderly wind-down. An FMI should prepare appropriate plans for its recovery or orderly wind-down based on the results of that assessment. Where applicable, an FMI should also provide relevant authorities with the information needed for</b>

	<b>purposes of resolution planning.</b>
Description	Scenarios to provide critical operations and services as a going concern and assessment of the effectiveness of a full range of options for recovery and orderly wind down is being undertaken. Approved Recovery Tools are in the process of implementation.

### Principle 15: General business risk

An FMI should identify, monitor, and manage its general business risk and hold sufficient liquid net assets funded by equity to cover potential general business losses so that it can continue operations and services as a going concern if those losses materialize. Further, liquid net assets should at all times be sufficient to ensure a recovery or orderly wind-down of critical operations and services.

<b>Key consideration 1</b>	<b>An FMI should have robust management and control systems to identify, monitor, and manage general business risks, including losses from poor execution of business strategy, negative cash flows, or unexpected and excessively large operating expenses.</b>
Description	<p>The business performance of CCIL is closely monitored by the senior management of CCIL on a regular basis. Annual cost and income estimates are prepared and the business performance of the Company is also reviewed every quarter by the Board of Directors, at which times risks posed by changes in market conditions, etc. that could come in the way of the continued profitability of the Company are examined</p> <p>CCIL has put in place Management and Internal control systems to monitor and manage general business risks through a review of each type of operation on quarterly basis and annual structured budgeting process. Performance reviews happen at Managing Director's level and Board monitors these risks.</p>
<b>Key consideration 2</b>	<b>An FMI should hold liquid net assets funded by equity (such as</b>



	<p>common stock, disclosed reserves, or other retained earnings) so that it can continue operations and services as a going concern if it incurs general business losses. The amount of liquid net assets funded by equity an FMI should hold should be determined by its general business risk profile and the length of time required to achieve a recovery or orderly wind-down, as appropriate, of its critical operations and services if such action is taken.</p>
Description	<p>Net assets funded by equity &amp; reserves are more than adequate to take care of this risk.</p> <p>CCIL's Liquid net assets funded by equity excluding contingency reserve fund &amp; Settlement reserve fund is equal to <b>69 months</b> of operating expenses for the year ending March 2022 as against minimum requirement of 6 months.</p>
<b>Key consideration 3</b>	<p><b>An FMI should maintain a viable recovery or orderly wind-down plan and should hold sufficient liquid net assets funded by equity to implement this plan. At a minimum, an FMI should hold liquid net assets funded by equity equal to at least six months of current operating expenses. These assets are in addition to resources held to cover participant defaults or other risks covered under the financial resources principles. However, equity held under international risk-based capital standards can be included where relevant and appropriate to avoid duplicate capital requirements.</b></p>
Description	<p><u>CCIL TR operations does not face any credit risk.</u></p> <p><u>Recovery or orderly wind-down plan:</u></p> <p>Approved Recovery Tools are in place.</p> <p><u>Resources:</u></p> <p>Liquid net asset cover (excluding liquid funds set apart to cover participant defaults ) is far higher than six months' current operating</p>

	<p>expenses.</p> <p>Resources designated to cover business risks and losses are separated from resources designated to cover the default of a member.</p>
<b>Key consideration 4</b>	<b>Assets held to cover general business risk should be of high quality and sufficiently liquid in order to allow the FMI to meet its current and projected operating expenses under a range of scenarios, including in adverse market conditions.</b>
Description	Liquid net assets funded by equity are invested in Deposits with strong Banks and in government treasury bills or held as bank balance, which have high safety and liquidity .
<b>Key consideration 5</b>	<b>An FMI should maintain a viable plan for raising additional equity should its equity fall close to or below the amount needed. This plan should be approved by the board of directors and updated regularly.</b>
	The Board has accorded its approval for raising of resources in the event the equity capital falls below the amount needed in terms of Principle 15 of the PFMI guidelines, which provides for transfer of funds from the General Reserves and Surplus to the Settlement Reserve Fund, subject to approval of shareholders of the Company, in case of any depletion due to its use for the purpose of meeting any event of loss as approved. If the balance in Capital, General Reserves and Surplus falls below the minimum required amount equivalent to at least six months' operating expenses as required under the Principles, the Company would initiate the process to raise additional capital through a Rights Issue.

**Principle 17: Operational risk**

An FMI should identify the plausible sources of operational risk, both internal and external, and mitigate their impact through the use of appropriate systems, policies, procedures, and controls. Systems should be designed to ensure a high degree of security and operational reliability and should have adequate, scalable capacity. Business continuity management should aim for timely recovery of operations and fulfillment of the FMI's obligations, including in the event of a wide-scale or major disruption.

**Key consideration 1**

**An FMI should establish a robust operational risk-management framework with appropriate systems, policies, procedures, and controls to identify, monitor, and manage operational risks.**

## Description

Operational risk management framework provides guidance on identification, assessment, control and mitigation plan for operational risk. The framework assists in streamlining/ mapping various processes/ policies/controls to deal with Operational Risk.

**Objectives of Operational Risk Framework**

- i. Identify and classify critical processes and assets
- ii. Implement appropriate and effective controls to protect processes, people and systems to prevent, limit and contain the impact of a potential operational risk event.
- iii. Develop capabilities to monitor/ detect/record occurrence of operational risk events.
- iv. Have a reporting structure in place for governance and supervision.

**Components of Operational Risk Framework****A) Governance**

Board of Directors and Committee of Directors on Risk Management (CODRM) define key objectives for the organization with respect to the risk management and oversee progress towards achieving those objectives. The Board defines the overall operational risk culture and sets the tone for implementation and execution of operational risk management strategy.

For effective governance, roles and responsibilities of the board and senior management have been clearly defined. Board, through

CODRM, approves and oversees the Operational Risk management framework and Senior management ensures its effective implementation.

**a. Risk Assessment**

Risk is assessed both on the inherent basis and residual basis.

Risk Assessment is done at two levels:

**i. Process Level**

Process level risk is identified through Risk Register which involves:

- a. Identifying processes, process owner and process inherent risk assessment of the probability and impact of the risk occurring
- b. Identifying measures and controls to mitigate risk
- c. Assessing the effectiveness of control and managing residual risk

Review of Risk Register is conducted at least on a six monthly basis.

**ii. Asset Level**

Risk assessment at asset level involves evaluation of threats, vulnerabilities and potential impact on assets/ processes. Risk Assessment and Risk Treatment plan (RARTP) has been put in place for asset level risk assessment.

It involves identification and classification of assets as Information Asset, Physical Asset, Software Asset and People Asset for :

- a. Identification of security objectives and risks for

	<p>each asset</p> <ul style="list-style-type: none"> <li>b. Identification of threats, vulnerabilities to asset</li> <li>c. Evaluation of exposure, impact and probability of occurrence of the identified risk</li> </ul> <p>The RARTP is reviewed at least every six months</p> <p><b>b) Risk Treatment</b></p> <p>Risk treatment involves making decisions to accept, avoid, transfer or mitigate risks for each asset.</p> <p><b>Key Risk Indicators (KRIs) in Risk Register/ RARTP</b></p> <p>KRIs assist in objective assessment of RARTP and risk register by setting target levels for various key risk indicators of risk assessment, viz. likelihood of occurrence, impact and exposure, design and effectiveness of controls etc.</p> <p>KRIs are used to assess whether any risk assessment parameters have been breached. The same is to be revisited to put additional mitigation measures.</p> <p><b>c) Risk Measurement</b></p> <p>Risk measurement is done through</p> <ul style="list-style-type: none"> <li>a) Internal Loss Data</li> <li>b) Audit findings</li> </ul> <p>An Operational loss database is maintained to record all incidents along with details like root-cause analysis, temporary resolutions, permanent resolutions etc. in a systematic manner at one place to facilitate the Risk Measurement</p>
--	--

## **Policies and Procedures**

Various policies and procedures are maintained as under:

### **i. Incident Management Policy and Procedure :**

Through incident management reporting process, a centralised data base of all such incidents is maintained. The incident management process tracks incidents and disruptions caused to business processes and assets. Post-incident analysis determines the cause for occurrence of the incidents despite controls. This information is used for further modulation of the precautionary measures and its implementation.

Based on the criticality and impact, incidents are classified as 'High', 'Medium' and 'Low'. An incident also needs to be classified into IT Incident, Non-IT Incident and Business Incident.

### **ii. Business Continuity Planning (BCP)**

The BCP provides guidance on overall business continuity plan life-cycle. The BCP manual explains the procedures to be followed to ensure timely and orderly resumption of business operations through its ability to execute plans with minimal interruption to critical business operations and with reasonable certainty.

The BCP Manual is followed during major incident which requires BCP invocation. BCP Team plan is activated during BCP invocation.

### **iii. Information Security Policy/ Procedures/ Guidelines**

Information security Policy/procedures provides guidelines on protecting information and information systems from unauthorized

	<p>access, use, disclosure, disruption, modification, or destruction.</p> <p>The policy also helps in promoting culture of security awareness among all employees, onsite consultant and vendors.</p> <p><b>iv. Cyber Security policy</b></p> <p>Cyber Security policy provides for management of risks originating due to cyber attack events. It includes organization’s ability to restore normal operations after such events.</p> <p>CCIL has implemented suitable measures/methods to protect information and infrastructure to prevent cyber threats/risks.</p> <p><b>v. Operations Manual</b></p> <p>The Operations manual provides guidance for performing operation functions correctly and efficiently. It documents the approved standard operative procedures which need to be followed while performing daily operations.</p> <p>The operations manual is reviewed periodically and updated whenever changes are made to existing processes.</p>
<p><b>Key consideration 2</b></p>	<p><b>An FMI’s board of directors should clearly define the roles and responsibilities for addressing operational risk and should endorse the FMI’s operational risk-management framework. Systems, operational policies, procedures, and controls should be reviewed, audited, and tested periodically and after significant changes.</b></p>
<p>Description</p>	<p><u>Roles, responsibilities and framework :</u></p> <p>Responsibilities are linked to organizational positions. A policy approved by Committee of Directors on Risk Management is in place.</p> <p>The operational risk management framework has been approved by</p>

	<p>Board's Risk Management Committee which has been taken note of by the Board. All operational risk events are reviewed by the Committee on half yearly basis.</p> <p><u>Review, audit and testing:</u></p> <p>Operational processes and deficiencies are regularly reviewed through operations audit carried out by independent auditors and their reports are reviewed by Audit Committee of the Board. Any new change in policies, processes or system forms a part of the scope of the auditors and is verified independently by them.</p> <p>Business Continuity related activities are subject to operations audit carried out by external auditors. These technical arrangements and executions are also subject to review by System Auditors.</p>
<b>Key consideration 3</b>	<b>An FMI should have clearly defined operational reliability objectives and should have policies in place that are designed to achieve those objectives.</b>
Description	<p>BCP document covers this aspect. Through tracking of disruption events and their causes, these objectives of operational reliability is ensured.</p> <p>BCP document is reviewed at least once in a year at the Board level and also submitted to the RBI.</p> <p>Reliability objectives are integrated into its operational risk-management framework. Audit process covers BCP (Business Continuity Planning) areas and there are periodic drills to assess effectiveness of the BCP processes.</p> <p>Fire Drills and other crisis management exercises, where call tree</p>



	exercises are activated and conducted once in a year.
<b>Key consideration 4</b>	<b>An FMI should ensure that it has scalable capacity adequate to handle increasing stress volumes and to achieve its service-level objectives.</b>
Description	<p>Scalable capacity: IT capabilities and capacity utilisations are periodically reviewed and necessary steps are taken to ensure scalability.</p> <p>Instance of operational capacity neared or exceeded has never been observed in TR operations.</p>
<b>Key consideration 5</b>	<b>An FMI should have comprehensive physical and information security policies that address all potential vulnerabilities and threats.</b>
Description	<p><u>Physical security:</u></p> <p>Vulnerabilities are reviewed as part of BCP process and any shortcoming observed is plugged.</p> <p>Physical security related aspects are well controlled and subject to Information Security Management System (ISMS) audit process. ISMS controls are in place. Access Control Matrix is reviewed and approved periodically.</p> <p><u>Information security:</u></p> <p>FMI's policies and processes, including change management and project management policies and processes, for addressing the plausible sources of information security vulnerabilities and threats are kept in special focus while carrying out any change involving IT system.</p> <p>CCIL's policies, processes, controls, and testing take into consideration relevant international, national, and industry-level</p>

	<p>standards for information security–CCIL is a ISO 27001 Company.</p> <p>FMI’s change-management and project-management policies and processes ensure that changes and major projects do not affect the information security of the system:</p> <p>This critical aspect is given due importance before making any change. External assistance is also taken to asses any vulnerability.</p>
<p><b>Key consideration 6</b></p>	<p><b>An FMI should have a business continuity plan that addresses events posing a significant risk of disrupting operations, including events that could cause a wide-scale or major disruption. The plan should incorporate the use of a secondary site and should be designed to ensure that critical information technology (IT) systems can resume operations within two hours following disruptive events. The plan should be designed to enable the FMI to complete settlement by the end of the day of the disruption, even in case of extreme circumstances. The FMI should regularly test these arrangements.</b></p>
<p>Description</p>	<p><u>Objectives of business continuity plan:</u></p> <p>FMI’s business continuity plan reflect objectives, policies and procedures that allow for the rapid recovery and timely resumption of critical operations following a wide-scale or major disruption. The objective and processes are clearly laid down in the Business Continuity Plan of CCIL.</p> <p><u>Design of business continuity plan:</u></p> <p>Recovery within 2 hours will be possible under most circumstances.</p> <p>BCP processes are clearly laid out in the BCP plan and the plan also ensures that the extent of data loss is minimal.</p>

	<p>The Contingency plan as designed will ensure that the status of all transactions can be identified in a timely manner.</p> <p>Steering Committee comprising Heads of Department is in place. Approach regarding communication to all stakeholders has been listed out in the Plan.</p> <p><u>Secondary site:</u></p> <p>Considering the robustness of the recovery process, manual, paper-based procedures or other alternative arrangements to allow the processing of time-critical transactions have not been considered.</p> <p>CCIL presently has a secondary operations site in Mumbai and also a Disaster Recovery (DR) outside Mumbai, about 200 km from Mumbai. IT support staff is available at all locations. Officials with ability to run business processes have been placed at both the in-city locations and at the DR site location as well.</p> <p><u>Review and testing:</u></p> <p>BCP Plan is reviewed once in a year. The same is tested through quarterly drills.</p> <p>Participants, service providers etc. are involved / participating in almost all drills. There is no linkage to any other FMI.</p>
<p><b>Key consideration 7</b></p>	<p><b>An FMI should identify, monitor, and manage the risks that key participants, other FMIs, and service and utility providers might pose to its operations. In addition, an FMI should identify, monitor, and manage the risks its operations might pose to other FMIs.</b></p>
<p>Description</p>	<p><u>Risks to the FMI's own operations :</u></p> <p>All processes are monitored on a regular basis. For Service and utility</p>

	<p>providers, fall back arrangements are in place.</p> <p>IT Services are considered critical for CCIL operations. Software development is through team deployed by software vendors which are based in CCIL locations. They have been located in CCIL offices to ensure better control and to identify and address any potential risks upfront. Moreover, the database and server management etc. is done by in-house personnel.</p> <p><u>Risks posed to other FMIs:</u> Trades reported and matched on the F-TRAC platform are sent to the Clearing Corporations of Stock Exchanges for settlement. CCIL TR is exposed to only operational risk under these arrangement. Adequate redundancies in the form of alternative arrangements have been built to send the trade files to Clearing Corporations of Stock Exchanges for settlement.</p> <p>CCIL has adequate back-ups to guard against any disruption in its services.</p> <p>CCIL is part of RBI group on Crisis Management, monitoring system-wide vulnerabilities.</p> <p>Business Continuity related exercises are conducted by involving other stakeholders.</p>
--	---

**Principle 18 :Access and participation requirements**

An FMI should have objective, risk-based, and publicly disclosed criteria for participation, which permit fair and open access.

**Key consideration 1**

**An FMI should allow for fair and open access to its services, including by direct and, where relevant, indirect participants and other FMIs, based on**

	<b>reasonable risk-related participation requirements.</b>
Description	<p><u>Participation criteria and requirements:</u></p> <p>Access to TR services is as per the reporting requirements of RBI and the CCIL TR Rules which are made available on the CCIL website. RBI directives clearly state the eligibility criteria for each participant/instrument.</p> <p><u>Access to trade repositories:</u></p> <p>Entities including banks, primary dealers and others that are required to report transactions concluded by them in OTC derivative instruments to the TR do so on the basis of a mandate by the RBI. Every entity investing in the primary or secondary market of CPs/CDs or participating in the Repo market for Corporate Bonds/CPs/CDs are required to take the membership of CCIL TR. Access to TR is provided to all entities that are mandated to report. The onboarding documentation is uniform across all members for that segment. All the members are direct members and report their Interbank and Client trades to CCIL-TR. The access to TR reporting shall be provided to third party entities ( including Electronic Trading Platforms (ETP) post finalization of the requirements by the regulator.</p>
<b>Key consideration 2</b>	<b>An FMI's participation requirements should be justified in terms of the safety and efficiency of the FMI and the markets it serves, be tailored to and commensurate with the FMI's specific risks, and be publicly disclosed. Subject to maintaining acceptable risk control standards, an FMI should endeavor to set requirements that have the least-restrictive impact on access that circumstances permit.</b>

<p>Description</p>	<p>Participation requirements are adequately tailored to ensure participation of all the eligible entities.</p> <p>For trade repository services, the eligibility criterion to undertake transactions in each product is clearly specified by RBI. Since the reporting is mandated by RBI, any transactions undertaken by these entities have to be reported to the Trade Reporting platform. All eligible members have been given access to TR services.</p> <p>Least restrictive access: Membership criteria is reviewed periodically as and when situation in market requires revision in access criteria</p> <p>Disclosure of criteria: Participation criteria and restrictions are available publicly through CCIL website.</p>
<p><b>Key consideration 3</b></p>	<p><b>An FMI should monitor compliance with its participation requirements on an ongoing basis and have clearly defined and publicly disclosed procedures for facilitating the suspension and orderly exit of a participant that breaches, or no longer meets, the participation requirements.</b></p>
<p>Description</p>	<p><u>Monitoring compliance:</u> Monitoring of compliance with participation requirements is conducted through a process of annual review. Any other external event or regulatory actions which have an impact on the members are also monitored closely and actions taken suitably.</p> <p><u>Specific processes are described in the Rules for exit of a member from TR services.</u></p>

	<p>Participants are required to report any major change in their status to CCIL.</p> <p>A member shall cease to be a member by:</p> <ol style="list-style-type: none"> <li>a. expulsion in accordance with provisions contained in CCIL-TR Rules after a reasonable notice in writing to the member and under advice to the RBI .</li> <li>b. voluntary or compulsory winding up of the member.</li> <li>c. failing to adhere to any of the membership conditions /criteria to which it has been admitted as a member after a reasonable notice in writing to the member and under advice to the Regulator.</li> </ol>
--	--

### Principle 19. Tiered Participation Arrangements

An FMI should identify, monitor, and manage the material risks to the FMI arising from tiered participation arrangements.

<b>Key consideration 1</b>	<b>An FMI should ensure that its rules, procedures, and agreements allow it to gather basic information about indirect participation in order to identify, monitor, and manage any material risks to the FMI arising from such tiered participation arrangements.</b>
Description	At present, there is no tiered participation in TR. Counterparties who are required to report their trades as per regulatory guidelines are only members of the TR and are submitting their report directly
<b>Key consideration 2</b>	<b>An FMI should identify material dependencies between direct and indirect participants that might affect the FMI.</b>
Description	As specified by RBI, all OTC derivative transactions and transactions in CPs/CDs/Repo in Corporate Bonds/CPs/CDs undertaken in the market are required to be reported mandatorily to CCIL-TR. Currently there is no tiered participation.
<b>Key consideration 3</b>	<b>An FMI should identify indirect participants responsible for a</b>

	<b>significant proportion of transactions processed by the FMI and indirect participants whose transaction volumes or values are large relative to the capacity of the direct participants through which they access the FMI in order to manage the risks arising from these transactions.</b>
Description	Currently there is no tiered participation.
<b>Key consideration 4</b>	<b>An FMI should regularly review risks arising from tiered participation arrangements and should take mitigating action when appropriate.</b>
Description	Currently there is no tiered participation.

#### **Principle 20: FMI links**

**An FMI that establishes a link with one or more FMIs should identify, monitor, and manage link-related risks.**

<b>Key consideration 1</b>	<b>Before entering into a link arrangement and on an ongoing basis once the link is established, an FMI should identify, monitor, and manage all potential sources of risk arising from the link arrangement. Link arrangements should be designed such that each FMI is able to observe the other principles in this report.</b>
Description	<p>a) Trades reported and matched on the F-TRAC platform are sent to the Clearing Corporations of Stock Exchanges for settlement. CCIL TR is exposed to only operational risk under these arrangements. Adequate redundancies in the form of alternative arrangements have been built to send the trade files to Clearing Corporations of Stock Exchanges for settlement.</p> <p>b) A Policy has been formulated by CCIL TR for reporting OTC Trades by other Electronic Trading Platforms (ETPs) / Third Party Systems (TPS) on behalf of our Members and acceptance of such trades for clearing and settlement by CCIL where applicable. However no ETP has approached us till date to integrate their systems with CCIL systems for pushing deals via STP (Straight through Process).</p>



<b>Key consideration 2</b>	<b>A link should have a well-founded legal basis, in all relevant jurisdictions, that supports its design and provides adequate protection to the FMIs involved in the link.</b>
Description	Trades reported and matched on FTRAC are sent to the Clearing Corporations of Stock Exchanges based on directions given by the RBI.
<b>Key consideration 3</b>	<b>Linked CSDs should measure, monitor, and manage the credit and liquidity risks arising from each other. Any credit extensions between CSDs should be covered fully with high-quality collateral and be subject to limits.</b>
Description	Not applicable
<b>Key consideration 4</b>	<b>Provisional transfers of securities between linked CSDs should be prohibited or, at a minimum, the retransfer of provisionally transferred securities should be prohibited prior to the transfer becoming final.</b>
Description	Not applicable
<b>Key consideration 5</b>	<b>An investor CSD should only establish a link with an issuer CSD if the arrangement provides a high level of protection for the rights of the investor CSD's participants.</b>
Description	Not applicable
<b>Key consideration 6</b>	<b>An investor CSD that uses an intermediary to operate a link with an issuer CSD should measure, monitor, and manage the additional risks (including custody, credit, legal, and operational risks) arising from the use of the intermediary.</b>
Description	Not applicable
<b>Key consideration 7</b>	<b>Before entering into a link with another CCP, a CCP should identify and manage the potential spill-over effects from the default of the linked CCP. If a link has three or more CCPs, each</b>

	<b>CCP should identify, assess, and manage the risks of the collective link arrangement.</b>
Description	Not applicable
<b>Key consideration 8</b>	<b>Each CCP in a CCP link arrangement should be able to cover, at least on a daily basis, its current and potential future exposures to the linked CCP and its participants, if any, fully with a high degree of confidence without reducing the CCP's ability to fulfil its obligations to its own participants at any time.</b>
Description	Not applicable
<b>Key consideration 9</b>	<b>A TR should carefully assess the additional operational risks related to its links to ensure the scalability and reliability of IT and related resources.</b>
Description	Adequate monitoring of the operational risks related to the linkage of Clearing Corporations of Stock Exchanges done. BCP plans are in place in case of any exigencies. Monthly review of scalability is carried out.

### **Principle 21: Efficiency and effectiveness**

An FMI should be efficient and effective in meeting the requirements of its participants and the markets it serves.

<b>Key consideration 1</b>	<b>An FMI should be designed to meet the needs of its participants and the markets it serves, in particular, with regard to choice of a clearing and settlement arrangement; operating structure; scope of products cleared, settled, or recorded; and use of technology and procedures.</b>
Description	CCIL TR offers reporting services for all transactions in all OTC derivative and Specified Instruments allowed by the regulator. Its TR services are made available to participants, regulators, market data providers and public at large using the existing online data access systems.

	<p>Structure of TR services is designed to bring efficiency and suit the requirements of trade reporting in Indian market. Reporting of trades to CCIL started much earlier than the formal introduction of TR requirement globally. To avoid double reporting, trades reported for clearing and settlement are ported to TR without any manual intervention. Members have been given various reporting tools for trade reporting. Technology is used extensively to facilitate easy reporting.</p> <p>Frequent interaction with User Groups and Market Bodies ensure that the products developed/enhanced meet the needs of the users.</p> <p>Periodic interactions with the users through User Group meetings and at individual level ensure that the requirements of the participants are met. Implementation of each of the reporting phase is done after consultation with the RBI and the members.</p> <p>CCIL provides data to the RBI through CORE Platform/F-TRAC and also using structured/adhoc reports. The participants have access to their data and aggregated information through the reporting engine and other structured reports. The aggregate data is also available for the public on CCIL website and through its newsletter.</p> <p>CCIL also provides information on the number of trades, volumes, high, low and weighted average rates along with the last trade prices on specific market segments in real-time for inter-bank transactions and with a lag for client transactions.</p>
<p><b>Key consideration 2</b></p>	<p><b>An FMI should have clearly defined goals and objectives that are measurable and achievable, such as in the areas of minimum service levels, risk-management expectations, and business priorities.</b></p>

<p>Description</p>	<p>CCIL TR goals and objectives are to provide efficient Trade Repository related services to enable participants to fulfil their regulatory requirement of mandatory reporting of all the OTC derivative <i>trades</i> and Specified Instruments.</p> <p>CCIL TR also strives to support regulatory initiative by introducing efficient reporting structure for all new products allowed by RBI.</p> <p>Feedback from participants during individual interactions and through User Group meetings are used to measure extent of achievement.</p>
<p><b>Key consideration 3</b></p>	<p><b>An FMI should have established mechanisms for the regular review of its efficiency and effectiveness.</b></p>
<p>Description</p>	<p>CCIL reviews its efficiency and effectiveness through tracking of quality of services through User group meetings.</p> <p>User Group meetings are held in such a manner that a participant gets an opportunity to meet CCIL officials at least once in a year where feedback is obtained.</p> <p>The users of CCIL-TR services include the entities who are required to mandatorily report their trades in OTC derivative and Specified Instruments and in addition includes the RBI as regulator which uses the data from CCIL for its regulatory functions and market data providers. While designing new reporting structure, efficiency of its operations is always considered and feedback of the users are obtained and suitably addressed.</p>

**Principle 22: Communication procedures and standards**

An FMI should use, or at a minimum accommodate, relevant internationally accepted communication procedures and standards in order to facilitate efficient payment, clearing, settlement, and recording.

**Key consideration 1**

**An FMI should use, or at a minimum accommodate, internationally accepted communication procedures and standards.**

## Description

**Communication procedures:**

For OTC derivatives, CCIL uses message based communication procedures to interact with participants and other connected parties.

These messages structures are modelled on SWIFT MT Series messages.

Secure channel-Secure Socket Layer (SSL)is used for data file exchange with reporting members.

Reporting of transactions in CPs/CDs/Repo in Corporate

Bonds/CPs/CDs happen on the F-TRAC Platfrom which is an Internet based platform.

CCIL-TR services are made available to participants and regulators using the existing online data access systems.

CCIL uses the Interbank Financial Network (INFINET) as the underlying communications network. Entities are also able to participate in the system using Internet based interfaces-CORE/F-TRAC.

**Principle 23: Disclosure of rules, key procedures, and market data**

An FMI should have clear and comprehensive rules and procedures and should provide sufficient information to enable participants to have an accurate understanding of the risks, fees, and other material costs they incur by participating in the FMI. All relevant rules and key procedures should be publicly disclosed.

<b>Key consideration 1</b>	<b>An FMI should adopt clear and comprehensive rules and procedures that are fully disclosed to participants. Relevant rules and key procedures should also be publicly disclosed.</b>
Description	<p><u>Rules and procedures:</u></p> <p>CCIL-TR Rules as approved by RBI have been made available on the CCIL website. Besides, all notifications issued by RBI in respect of each of the phases are also made available on the CCIL website.</p> <p>Feedback from participants and other stake-holders provide basis for assessing the level of clarity of the Rules and key procedures. Periodic internal review is also carried out.</p> <p>Detailed Operational Manual is also available in the CORE/F-TRAC platform which guides the participants to clearly follow procedures for reporting.</p> <p>Any change in rules and procedures require prior approval of the regulator, RBI and these are required to be notified to all participants at least 30 days' in advance before implementation.</p> <p>Soft copies are available publicly through CCIL website.</p>
<b>Key consideration 2</b>	<b>An FMI should disclose clear descriptions of the system's design and operations, as well as the FMI's and participants' rights and obligations, so that participants can assess the risks they would incur by participating in the FMI.</b>

<p>Description</p>	<p>Description of participants’ rights and obligations are detailed in Membership documents, CCIL-TR Rules and notifications.</p> <p>The CCIL website provides a description of CCIL-TR services, including description of participant’s responsibilities and rights. Further details are made available in the CCIL-TR rules and notifications which are published on the CCIL website. These are also available to the public at large.</p> <p>A detailed operational manual is also made available to members on the CORE/F-TRAC Platform.</p>
<p><b>Key consideration 3</b></p>	<p><b>An FMI should provide all necessary and appropriate documentation and training to facilitate participants’ understanding of the FMI’s rules and procedures and the risks they face from participating in the FMI.</b></p>
<p>Description</p>	<p>The detailed information on TR services and Rules are available in the CCIL web site.</p> <p>Trade Reporting was introduced in India in phases. Detailed operational guidelines were made available to the participants at each stage. A comprehensive operational manual is made available on the CORE/F-TRAC Platform.</p> <p>Training programs are organized for participants so that they are fully aware of the processes followed by CCIL and are in a position to reassess the risk they take by availing the services of CCIL.</p> <p>As a process, training is provided before launch of any new services and also on an ongoing basis. A mock run with the participants is also done before going live on new products.</p>
<p><b>Key consideration 4</b></p>	<p><b>An FMI should publicly disclose its fees at the level of individual services it offers as well as its policies on any available discounts.</b></p>

	<b>The FMI should provide clear descriptions of priced services for comparability purposes.</b>
Description	Fee structure for TR services are available on CCIL website Any change in the structure is required to be notified at least 30 days in advance. For effecting any major change, before obtaining appropriate internal authorization, User Group inputs are taken and regulator’s approvals are obtained wherever necessary.
<b>Key consideration 5</b>	<b>An FMI should complete regularly and disclose publicly responses to the CPSS-IOSCO disclosure framework for financial market infrastructures. An FMI also should, at a minimum, disclose basic data on transaction volumes and values.</b>
Description	Self-assessment on CPMI-IOSCO Disclosure Framework is part of this principle and is updated once in a year or after any material change Qualitative disclosures are updated on yearly basis Transaction volumes are disseminated at CCIL website and through CCIL’S monthly publication “Rakshitra”. CCIL financials etc. are publicly available through CCIL website. 6 Any change to the process or any proposal to carry out any change to any existing process is disclosed to the public. These are made available through CCIL website ( <a href="http://www.ccilindia.com">www.ccilindia.com</a> ). Disclosures are in English.

**Principle 24: Disclosure of Market Data by Trade Repositories**

A TR should provide timely and accurate data to relevant authorities and the public in line with their respective needs.

Key consideration 1	<b>A TR should provide data in line with regulatory and industry expectations to relevant authorities and the public, respectively, that is comprehensive and at a level of detail sufficient to enhance market transparency and support other public policy objectives.</b>
---------------------	--



Description	Data relating to trades in market, with details on number of trades, volumes, high, low and weighted average rates etc. are made available publicly through CCIL website for products in which such data dissemination has been approved by RBI. Additional details are shared with the RBI at periodical intervals and on an ad hoc basis. Interbank data is also published in CCIL'S monthly publication "Rakshitra". Feedback is taken from the market participants regarding their expectations on data dissemination and the demands made by various stake-holders are kept in mind while deciding on data disseminated.
Key consideration 2	<b>A TR should have effective processes and procedures to provide data to relevant authorities in a timely and appropriate manner to enable them to meet their respective regulatory mandates and legal responsibilities.</b>
Description	Structured information requirement received from the RBI are met through periodical submission of data. Adhoc information is also provided as and when required. Online Information about the data submitted by members is provided to the regulator through the CORE/F-TRAC Platform.  TR strictly follows the processes approved by the RBI.
Key consideration 3	<b>A TR should have robust information systems that provide accurate current and historical data. Data should be provided in a timely manner and in a format that permits it to be easily analyzed.</b>
Description	Reporting to CCIL-TR entails reporting of the original transactions as well as subsequent lifecycle events. Online status of the data so reported is made available to members through the CORE/F-TRAC Platform. Pre-structured reports are also made available to the members at EOD each day  Life cycle processing, including settlement services is in place for certain products like INR Interest Rate Swaps, USD-INR Forwards and Credit Default Swaps ensures that the data is up to date and accurate. For other products, accuracy of information is ensured through i) built

	<p>in validations for all fields; ii) requirement of matching all economic data reported by both counterparties; iii) daily reports to members for reconciliation</p> <p>Strict quality control ensures that the data remains accurate. Historical disseminated data and historical data published in Rakshitra is made available in the respective archival sections on the CCIL website.</p>
--	--