



भारतीय प्रतिभूति और विनियम बोर्ड
Securities and Exchange Board of India

CIRCULAR

SEBI/HO/MRD/DRMNP/CIR/P/2016/54

May 04, 2016

All recognized Clearing Corporations and Stock Exchanges

Dear Sir / Madam

Subject: Investment Policy, Liquid Assets for the purpose of Calculation of Net Worth of a Clearing Corporation and Transfer of Profits

- 1) SEBI notified Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012, (hereinafter referred to as 'SECC' Regulations, 2012) on June 20, 2012 to regulate recognition, ownership and governance in Stock Exchanges and Clearing Corporations.
- 2) Further, SEBI vide circular [CIR/MRD/DRMNP/25/2014](#) dated August 27, 2014, prescribed the guidelines on Core Settlement Guarantee Fund (CSGF), Default Waterfall and Stress Test.
- 3) SEBI had also constituted an expert Committee on Clearing Corporations (hereinafter referred to as 'Committee'), to examine, inter-alia, the issues pertaining to (a) Investment Policy of a Clearing Corporation, (b) Liquid assets for calculation of Net worth of a Clearing Corporation, and (c) Regulation 33 of SECC Regulations on 'Transfer of Profits'.
- 4) The recommendations of the committee were placed before the SEBI Board. As per the decision of the Board, the Clearing Corporations are advised to comply with the following -

A. 'Investment Policy' of Clearing Corporation

- I. Regulation 40 of SECC Regulations, 2012 states the following

"The utilization of profits and investments by recognised clearing corporations shall be in accordance with the norms specified by the Board."

- II. While framing the 'Investment policy', the clearing corporations shall consider the following principles -

- a) The investment policy of the Clearing Corporation shall be built on the premise of highest degree of safety and least market risk.
 - b) The investments shall be broadly in Fixed Deposits/ Central Government Securities and Liquid schemes of Debt Mutual Funds.
- III. Accordingly, the Clearing Corporations shall align the investment policy in line with the principles for investment laid down at para 4(A)(II) above, subject to the following -
- a) Fixed Deposit with Banks [only those banks which have a net worth of more than INR 500 crore and are rated A1 (or A1+) or equivalent, as mentioned at para 12 of SEBI circular dated August 27, 2014];
 - b) Central Government Securities; and
 - c) Liquid schemes of debt mutual funds.
- Investment in liquid scheme of debt mutual funds shall not exceed a limit of ten per cent of the total investible resources held by the clearing corporation, at any point in time.
 - In case the Clearing Corporation has investments in mutual funds beyond the limits specified above, then such excess investments shall be liquidated by the Clearing Corporation within six months from the date of issuance of this circular. Fresh investments by the Clearing Corporation beyond the threshold limit prescribed above are not permitted.

B. Liquid assets for the purpose of calculation of Net worth of Clearing Corporation

- I. Explanation II to Regulation 14 of SECC Regulation 2012 reads as under-

"For the purposes of this regulation, 'net worth of a clearing corporation' means the aggregate value of its liquid assets calculated in the manner as specified by the Board from time to time".

- II. The eligible instruments for investment such as fixed deposits, Central Government Securities and liquid schemes of Debt Mutual Funds to the extent permissible, other instruments as may be specified by SEBI from time

to time, and cash and bank balance, shall be considered as 'Liquid Assets', for the purpose of calculation of Net worth of a Clearing Corporation.

C. Regulation 33 of SECC Regulations, 2012 on 'Transfer of Profits'

I. Regulation 33 of the SECC Regulations, 2012 states the following -

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

II. Further, SEBI circular CIR/MRD/DRMNP/25/2014 dated August 27, 2014, prescribed the requirement for contribution from Clearing Corporation, Stock Exchange and Clearing Members to the Core SGF.

III. For the purpose of Regulation 33 of SECC Regulations, 2012, the clearing corporations/ stock exchanges shall implement the following -

a) The provisions made by Stock Exchanges in their books of accounts towards the requirement of 'Transfer of Profits' under Regulation 33 of SECC Regulations 2012, from the date the SECC Regulations, 2012 came into effect till March 31, 2015, shall be transferred to the Core SGF maintained by Clearing Corporations within one month from the date of issuance of this Circular. Further, twenty five per cent of profits for the period April 01, 2015 till the date of amendment of Regulation 33 of SECC Regulations, 2012, shall be transferred by the Stock Exchange to the Core SGF maintained by Clearing Corporation within such time as may be specified by SEBI.

b) After such transfer of funds from the Stock Exchange to the Core SGF maintained by the Clearing Corporation, the contribution by the Clearing Member(s), if any, to the Core SGF maintained by the Clearing Corporation, shall be refunded to such clearing member(s).

c) The Stock Exchange / Clearing Corporation shall make good the shortfall in the Core SGF at any point in time.

IV. The unutilized portion of contribution made by the stock exchange towards the Core SGF, for any segment(s), maintained by the Clearing Corporation, as

available with the Clearing Corporation, shall be refunded to the stock exchange, in case the stock exchange decides to close down its business or decides to avail the clearing and settlement services of another Clearing Corporation for that segment(s), subject to it meeting all dues of the clearing corporation.

- 5) Clearing corporations and stock exchanges are directed to:
 - a) take necessary steps to put in place systems for implementation of the circular, including necessary amendments to the relevant bye-laws, rules and regulations;
 - b) bring the provisions of this circular to the notice of their members and also disseminate the same on their websites; and
 - c) communicate to SEBI, the status of implementation of the provisions of this circular in the Monthly Report.
- 6) This circular is being issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992 to protect the interests of investors in securities and to promote the development of, and to regulate, the securities market.
- 7) This circular is available on SEBI website at www.sebi.gov.in, under the category "Circulars".

Yours faithfully

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