



**FX OPTIONS DEALING SEGMENT REGULATIONS**

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**Regd. Office: CCIL Bhavan, S K Bole Road, Dadar (West), Mumbai- 400 028**

**Chapter I: Introduction**

These Regulations shall hereafter be known as FX Options Dealing Segment Regulations.

**Applicability:** These Regulations shall be applicable to all Members admitted to the Clearcorp Dealing Systems (India) Limited's FX Options Dealing Segment and the FX Options Trades dealt on Clearcorp's FX Options Dealing System.

**Chapter II: Definitions**

**Accumulated Order Limit:** “Accumulated Order Limit” or “AOL” means the maximum total accumulated limit upto which a Member can place Orders across all the three (3) screens of FX Options Dealing System.

**ATM Straddle:** “ATM Straddle” means an option strategy, which involves simultaneous buying or selling of a FX Call Option and a FX Put Option at the same ‘at-the-money’ Strike Price and Expiration Date.

**Bid:** “Bid” means an Order for paying Implied Volatility (Vols.) for a given maturity and either for Standard Instruments or for a given Delta/ Strike in FX Options Dealing System.

**Butterfly Spread:** "Butterfly Spread" means an option strategy, which involves simultaneous buying or selling of an ATM Straddle and a Strangle.

**Buy Order:** “Buy Order” means an order which is placed in FX Options Dealing System for paying Implied Volatility (Vols.) for a given maturity and either for Standard Instruments or for a given Delta/ Strike in FX Options Dealing System.

**Central Limit Order Book Window:** “Central Limit Order Book Window” means the trading window of FX Options Dealing System which facilitates anonymous matching of Bid Orders/ Offer Orders based on Implied Volatility (Vols.) for the Standard Instruments of rolling maturity with access to the Members of all other information as may be provided by Clearcorp from time to time.

**Constituent(s):** “Constituent(s)” means an entity or a person that is not a Member of Clearcorp but trades through a Trading Member in FX Options as permitted by the Regulator in the FX Options Dealing Segment.

**Constituent Trades:** “Constituent Trades” means Trades of a Constituent on the FX Options Dealing System.

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**Day Order:** “Day Order” means a Market Order or Limit Order that is valid from the time the Order is submitted to the end of the day's trading session.

**Delta:** "Delta" means the sensitivity of the price of an FX Option to the changes in the price of the underlying asset.

**Disclosed Quantity Order:** “Disclosed Quantity Order” means an Order with a disclosed quantity condition/ attribute that would allow the Member to disclose only a part of the Order quantity to the market.

**European Options:** “European Options” means an FX Options contract which may be exercised on the Expiration Date on or before the Expiration Time.

**Expiration Date :** “Expiration Date” means the date on which settlement obligations are determined for the FX Option contract and the FX Option contract ceases to exist.

**Expiration Time:** “Expiration Time” means 11:30 am IST/ 3:00 pm Tokyo time on the Expiration Date of the FX Option contract or such other time as may be specified by Clearcorp from time to time.

**FEDAI:** “FEDAI” means Foreign Exchange Dealers’ Association of India.

**Fill or Kill Order (FOK):** “Fill or Kill Order” or “FOK” means an Order that is immediately executed for the full Order amount in case the counter order(s) are equivalent to the specified price or better or are cancelled by the FX Options Dealing System in case the counter Order(s) amount is not equivalent to the specified price or is insufficient.

**Forward Delta Amount :** "Forward Delta Amount" means the notional amount required to be exchanged for hedging the sensitivity of the option price to the change in the forward rates.

**FX Call Option:** “FX Call Option” means an FX Option contract that gives the right, but not the obligation to the buyer, to buy an agreed amount of one currency with another currency at a pre-agreed rate (Strike Price) on a specified date in the future.

**FX Option:** “FX Option” means a derivative financial instrument that gives the right but not the obligation to the option buyer to exchange an agreed amount of one currency for another currency on a specified date at a pre-determined rate, i.e., Strike Price.

**FX Options Dealing System:** “FX Options Dealing System” refers to the electronic trading platform made available by Clearcorp to the Members in respect of FX Option Trades in terms of the provisions of its Bye-Laws, Rules and Regulations.

**FX Put Option:** “Put Option” means an FX Option contract that gives the right, but not the obligation to the buyer, to sell an agreed amount of one currency for another currency at a pre-agreed rate (Strike Rate) on a specified date in the future.

**Immediate or Cancel Order (IOC):** “Immediate or Cancel Order” or “IOC” means an Order that is immediately executed in full or in part or cancelled in full or in part by the FX Options Dealing System.

**Implied Volatility (Vols.):** “Implied Volatility (Vols.)” means a volatility variable that indicates the market’s forecast of the likelihood of future changes in the underlying FX Spot Rate.

**In-the-Money Option:** “In-the-Money Option” or “ITM Option” means an FX Option contract that possesses an intrinsic value. An ITM Option upon exercising would result in a positive payoff.

**Limit Order:** “Limit Order” means an Order to buy/ sell at not more than a specific Implied Volatility (Vols.).

**Market Order:** “Market Order” means a buy or sell Order that is executed immediately at current market Implied Volatility (Vols.).

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**Member:** “Member” means an entity admitted as a Member to trade in the FX Options Dealing Segment of Clearcorp and includes Self Trading Member and Trading Member, but does not denote shareholders of Clearing Corporation. Provided shareholders of Clearing Corporation may also be admitted as Members of FX Options Dealing Segment of Clearcorp.

**Offer:** “Offer” means an Order for receiving Implied Volatility (Vols.) for a given maturity and either for Standard Instruments or for a given Delta/ Strike in FX Options Dealing System.

**Option Exercise Window:** “Option Exercise Window” means a window that shall be made available on the FX Options Dealing System, wherein the Option buyers would have the choice to mark the Option Trades within the notified threshold level as ‘exercised’ or ‘expired’.

**Option Premium:** “Option Premium” means the price that the buyer of the FX Call Option/ FX Put Option pays to the seller of the FX Call Option/ FX Put Option for the rights conveyed therein. For FX Options Dealing Segment, the Option Premium is denominated in Indian Rupees (INR).

**Out-of-the-Money Option:** “Out-of-the-Money Option” or “OTM Option” means an FX Option contract that possesses no intrinsic value. An OTM Option derives its value from its time-value and the potential for the underlying asset’s price to move favourably before expiration.

**Premium Payment Date:** “Premium Payment Date” means the date on which the buying Member of the FX Call Option/ FX Put Option pays the Option Premium to the selling Member of the FX Call Option/ FX Put Option.

**Request for Quote (RFQ) Window:** “Request for Quote (RFQ) Window” means the trading window on FX Options Dealing System where the Members can place their orders for bespoke FX Option structures like Spreads (Call/ Put), Range Forwards, Seagulls, Strips etc.

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**Risk Reversal:** “Risk Reversal” means an option strategy, which involves simultaneous buying (selling) and selling (buying) of an out-of-the-money FX Call Option and an out-of-the-money FX Put Option at different Strike Prices, both having the same Expiration Date.

**Self-Trading Member:** “Self Trading Member” means a Member of the FX Options Dealing Segment of Clearcorp admitted under its Bye-Laws, Rules and Regulations to trade on its own account.

**Sell Order:** “Sell Order” means an order which is placed in FX Options Dealing System for receiving Implied Volatility (Vols.) for a given maturity and either for Standard Instruments or for a given Delta/ Strike in FX Options Dealing System.

**Single Option(s):** “Single Option(s)” means a single FX Put Option or a single FX Call Option.

**Single Options Order Book Window:** “Single Options Order Book Window” means the trading window on FX Options Dealing System, which facilitates anonymous matching of Bid Orders / Offer Orders for Single Option on Implied Volatility (Vols.), based on specific Deltas or Strike Prices with access to the Members with all other information as displayed on the screen.

**Single Order Limit (SOL):** “Single Order Limit” or “SOL” means the maximum limit upto which a Member can place one single Order.

**Spot Rate:** “Spot Rate” means the current FX rate of a currency pair at which one unit of the base currency can be bought or sold against another currency.

**Standard Instruments:** “Standard Instruments” mean the FX Option instruments traded in the Central Limit Order Book Window in the tenors as notified by Clearcorp from time to time.

**Strangle:** "Strangle" means an option strategy, which involves simultaneous buying or selling of an out-of-the-money FX Call Option and an out-of-the-money FX Put Option at different Strike Prices but having the same Expiration Date.

**Strike Price:** “Strike Price” means the predetermined FX price at which the buyer of the FX Option gets to buy the base currency from the option seller (in the case of FX Call Option) or sell the base currency to the option seller (in the case of FX Put Option) against exchange of the quote currency.

**Tenor:** The tenor indicates the life span of the FX Option contract.

**Trades:** “Trades” means eligible USDINR FX Options as dealt by a Member for itself or its Constituents in the FX Options Dealing System. For the purpose of these Regulations, a Trade of a Constituent shall be deemed and construed as a Trade of the Trading Member. Further, for the purpose of these Regulations, the words “Trade”, “Trading”, “Deal” and “Dealing” are used interchangeably.

**Trading Member:** “Trading Member” means a Member of the Clearcorp’s FX Options Dealing Segment admitted under its Bye-Laws, Rules and Regulations to trade on its own account and on behalf of its Constituent in the FX Options Dealing System.

Note: Unless explicitly stated otherwise, all capitalized terms used herein but not defined, and defined in the Bye-Laws of Clearcorp, shall have the same meanings as assigned to them therein. Words and expressions in respect of activities connected with Clearing Corporation, used herein but not defined shall have the meaning assigned to them in the Bye-Laws, Rules and applicable Regulations of Clearing Corporation.



**Chapter III: Membership**

**A. General**

1. Membership to FX Options Dealing Segment of Clearcorp shall be restricted to only those entities who fulfil the membership criteria prescribed by Clearcorp from time to time.
2. Membership to FX Options Dealing Segment of Clearcorp shall be subject to such terms and conditions as may be stipulated by Clearcorp from time to time.
3. Clearcorp may suspend and/ or withdraw membership of a Member, if in the opinion of Clearcorp, the Member has violated any terms and/or conditions governing such membership. Such suspension shall continue until Clearcorp decides to withdraw the same.

**B. Application for Membership:**

1. Entities permitted by Reserve Bank of India to enter into FX Option Trades and satisfying the relevant membership eligibility criteria of Clearcorp shall be eligible to seek membership to Clearcorp's FX Options Dealing Segment.
2. Such entity shall submit an application in the prescribed format to Clearcorp, which shall be complete in all respects together with all enclosures, as required to be submitted in terms of the application form and in compliance with the Rules of Clearcorp.
3. The application form shall be submitted along with the fees, if any, prescribed by Clearcorp for Membership to its FX Options Dealing Segment.
4. Applicants shall furnish all the relevant information and/ or any other additional information as may be sought by Clearcorp from time to time.
5. A Member can commence operations for itself or its Constituents in FX Options Dealing Segment only upon activation of its Membership, which shall be subject to completion of such formalities as may be stipulated by Clearcorp and/or Clearing Corporation in its various communications to the Member, as part of its admission process.
6. Only such Members, who are Members of FX Options Segment(Guaranteed Settlement) may onboard Constituents in FX Options Dealing Segment.

**C. Roles and Responsibilities:**

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1. Clearcorp shall, be authorized at any time to add/ delete and/ or modify any functions relating to FX Options Dealing Segment, including but not limited to any rights/ privileges, responsibilities and/ or liabilities, conditions of use/ access of/ to the Members of the FX Options Dealing Segment.
2. Clearcorp may from time to time issue guidelines and directions governing the relationship, responsibilities and liability of Members for the purpose of dealing on the FX Options Dealing Segment on behalf of their constituents.
3. Members shall be liable for all Trades executed on the FX Options Dealing Segment either on their own behalf or on account of their Constituents.
4. Members shall maintain all relevant records of their activities on the FX Options Dealing Segment for itself or on account of their Constituents for such period as may be specified by Clearcorp or as directed by RBI from time to time.
5. A Member shall produce a valid Legal Entity Identifier (LEI) number to Clearcorp as and when the same is required by the Regulator or any other authority.
6. Members shall make available all necessary information/ records/ reports of the activities performed on the FX Options Dealing Segment on account of their Constituents periodically or as may be requested by the Constituents.

### **D. CONSTITUENT ID:**

Details of Constituent(s) desirous of availing the facility of FX Options Dealing System shall be provided by the Trading Member to Clearcorp.

1. Trading Member shall ensure that a Constituent of any of the existing Segments of Clearcorp and/ or Clearing Corporation shall continue to use the existing Constituent ID that has already been allotted to it unless specifically advised otherwise by Clearing Corporation/ Clearcorp.
2. A Constituent in the FX Options Dealing Segment shall be allotted a Constituent ID/ user ID. The said Constituent ID/ user ID would be unique with their usage restricted to Clearcorp's FX Options Dealing Segment.
3. A Trading Member shall ensure that a Constituents use of its user ID is restricted to its authorized personnel only.
4. Clearcorp does not recognize as parties to any Deal, persons other than the Members of the FX Options Dealing Segment.
5. Prior to the commencement of dealing/reporting on behalf of Constituents on the FX Options Dealing System, every Member shall to its satisfaction verify the eligibility

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of such Constituent(s) and complete all necessary formalities/ requirements (including but not limited to any KYC requirements). Any ongoing compliance arising therefrom shall be the sole responsibility of the Member and Clearcorp shall in no manner be responsible for the same.

6. Clearcorp and/ or any of its officials shall not in any way be liable for any loss or consequences that may arise on account of unauthorized and/or wrongful use of Constituent ID and/or user ID by any person acting in the name of or on behalf of a Constituent.

**Chapter IV: FX Options Dealing System**

1. A Member shall be granted access to Clearcorp's FX Options Dealing System after activation of membership to Clearcorp's FX Options Dealing Segment.
2. Clearcorp will decide, from time to time, the connectivity mode as per which the access to the FX Options Dealing System shall be available to a Member/ or its Constituent (on the specific request of the Trading Member).
3. Every Member shall ensure maintenance of the necessary information technology infrastructure, staff, communication facilities and records, including appropriate business contingency infrastructure requirements by the Member and its Constituent(s), as prescribed by Clearcorp from time to time for proper and efficient performance of the FX Options Dealing System.
4. All operations on the FX Options Dealing System shall be carried out from the authorized premises of the Member only where its treasury front office/ back office/ mid offices/disaster recovery site are located with access to the FX Options Dealing System restricted to its duly authorized personnel only. In case any Member fails to strictly adhere to this requirement, Clearcorp, at its discretion, may take such action as it may deem fit, including, but not limited to immediate withdrawal of the facility and access to the FX Options Dealing System, without any notice/reference to the Member. In case of the Constituents, the same shall be authorised by the Trading Member, provided however that, the Trading Member has ensured that their Constituent(s) have adhered to the requirements stated herein.
5. A Member may have more than one user. All users created in FX Options Dealing System shall be required to be approved by Clearcorp. Upon approval, the user ID shall get activated with rights, roles and privileges available to the user category that has been assigned to the concerned user. User IDs of its Constituent(s) shall be created by the Trading Member. Members shall maintain record of the eligible users including users of its Constituent(s) given access to the FX Options Dealing System. Members/ users shall also adhere to the code of conduct, if any, prescribed by RBI or any other industry body/ association such as FEDAI, etc. as may be authorized by RBI or as may be specified by Clearcorp from time to time.
6. The various user categories and the roles, rights and privileges assigned to them shall be as notified by Clearcorp from time to time.

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7. Clearcorp shall, at its sole discretion, be authorized at any time to add/ delete and/ or modify any/ all rights and/ or privileges of any of the categories of users of the FX Options Dealing System.
8. Every user shall initially access the FX Options Dealing System through the password provided by Clearcorp or the Trading Member, as the case maybe, to him/ her at the time of user approval. The concerned user shall ensure that this initial password is changed immediately after initial log in.
9. Every user shall ensure compliance with the password policy as implemented in the FX Options Dealing System as applicable from time to time.
10. Every user shall maintain complete secrecy of his/ her user ID and password.
11. Clearcorp and/ or any of its officials shall not in any way be liable for any loss or consequences that may arise on account of unauthorized and/ or wrongful use of the user ID and/ or password.
12. A Member and/ or any of its users shall not have any right, title or interest with respect to the FX Options Dealing System, its facilities, software and the information provided by Clearcorp.

**Chapter V: FX Options Dealing System Operations**

1. Clearing Corporation, shall, subject to the provisions of its Bye-Laws, Rules and Regulations, act as the Central Counterparty for the Trades concluded on the FX Options Dealing System.
2. Clearcorp may, from time to time, issue guidelines and directions governing the responsibilities and liabilities of Members for the purpose of dealing on the FX Options Dealing System on behalf of its Constituents.
3. Members shall continue to be liable for all their Proprietary Trades and Constituent(s) Trades executed on the FX Options Dealing System as also for all Orders and/ or activity undertaken on the FX Options Dealing System by any of its users.
4. Clearcorp and/ or any of its officials shall not be liable under any circumstances for any failure of the system or otherwise or any loss or damage or other consequences arising from any such event beyond the reasonable control of Clearcorp. Such failure shall not reduce, alter or affect the liability of a Member in respect of any deals to which the said Member and/ or its Constituent is a party.

**A. Instruments:**

- a. Clearcorp provides for the following instruments under the FX Options Dealing System:
  - i) Standard Instruments (ATM Straddle/ Butterfly Spread / Risk Reversal) on Central Limit Order Book Window;
  - ii) Single Option(s) on Single Options Order Book Window based on Delta/ Strike Price;
  - iii) Single Options and bespoke option structures on the Request for Quote (RFQ) Window;
  - iv) Forward Trades created out of Delta hedge; and
  - v) Spot Trade resulting from exercise of Option Trades on Expiration Date.
- b. Notwithstanding the above, Clearcorp may further notify from time to time the types of instruments that would be permitted for trading on the FX Options Dealing System.

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- c. A Member or its Constituent(s) shall be entitled to transact only in those instruments that are made available on the FX Options Dealing System.
- d. Clearcorp may at its discretion at any time suspend Dealing in a particular instrument as it deems fit, and such suspension shall take effect on such conditions and in such time and manner as Clearcorp may prescribe in this regard. However, Members shall continue to be liable for fulfillment of the Deals already done in that instrument for itself and or its Constituent(s) on the FX Options Dealing System and accepted for Settlement by Clearing Corporation.
- e. Clearcorp may at its discretion at any time revoke the suspension of a particular instrument as it deems fit on such conditions and in such time and manner as may be prescribed by it in this regard.

### **B. Dealing Parameters:**

1. Clearcorp may from time to time specify various operational parameters relating to the FX Options Dealing System which may, *inter alia*, include:
  - a) determining types of Orders and Order attributes (including Limit Order, Market Order, SOL size, Implied Volatility (Vols.) tick size);
  - b) fixation of standard lot size for Order matching;
  - c) fixation of range for Delta/ Strike Price applicable for Order placement;
  - d) limit of spread between Bid and Offer prices for different instruments, if required;
  - e) limit of variation within a day or between days in Bid and Offer prices of different instruments;
  - f) fixation of price variation on a business day over the previous day's closing price of the different instruments;
  - g) minimum Disclosed Quantity for Orders placed;
  - h) determining functional details of the Order Matching system including system design, user infrastructure and system operations; and
  - i) Such other parameters as may be decided by Clearcorp and/ or Clearing Corporation from time to time.
2. Clearcorp may, from time to time, prescribe different forms of Order books that shall be maintained on the FX Options Dealing System and may also specify such terms and conditions for eligible Orders to be admitted on the FX Options Dealing System. Such conditions may include volume and time based conditions like Disclosed Quantity, Day Order, good till time (GTT), etc.

**C. Dealing Days:**

1. Clearcorp would normally function on all the days, excluding Saturday, Sunday and those days that are declared as holidays under the Negotiable Instruments Act, 1881 in the State of Maharashtra and such other days on which the Dealing System will not be available as declared by RBI and/ or Clearcorp.
2. At the instance of RBI, Clearcorp may choose not to operate the FX Options Dealing System on days other than or in addition to scheduled holidays or may operate the same on days originally declared to be holidays above for valid reasons and such decision shall be final and binding on all Members.

**D. Dealing Timings:**

1. Clearcorp may at its absolute discretion decide the Dealing Session for the FX Options Dealing System.
2. The Dealing Session applicable to the FX Options Dealing System shall be notified by Clearcorp from time to time.
3. Clearcorp may extend, advance or reduce Dealing Session by notifying Members as and when it deems fit and necessary in this regard.
4. Clearcorp by Notification may prohibit or suspend at any time dealing operations on the FX Options Dealing System for such period as it may determine and at the expiration of such period, Clearcorp may permit Dealing activity subject to such terms and conditions as it deems fit and necessary.

**E. Modes of Dealing:**

Clearcorp may from time to time notify the modes of dealing and the instruments dealt on those modes.

**F. Order Validation:**

1. Orders entered on the FX Options Dealing System by a Member for itself and by its Constituent(s) shall be subject to such validations as may be prescribed by Clearcorp from time to time, including Order conditions and other dealing parameters.
2. Orders that do not meet the validation requirements applicable to that type of Order will be rejected.



**G. Order Matching Rules:**

1. Clearcorp shall specify, from time to time, the kinds of Orders [Limit Order/ Market Order/ Immediate or Cancel Order (IOC)/ Fill or Kill (FOK) Order etc.] that can be placed on the FX Options Dealing System, the Order matching algorithms, the matching rules and other parameters.
2. Clearcorp may, at any time, if is of the view that it is in the interests of the market to do so, and/ or to meet any statutory or regulatory or tax obligations/ orders/ directives, make unavailable any particular Order book or forms of matching, for a particular instrument for the market as a whole.
3. Without prejudice to the generality of the above, the initial set of rules and parameters in this regard shall be as under –
  - a) On the Central Limit Order Book Window and Single Options Order Book Window:
    - i. the Order matching shall be processed anonymously on the basis of Implied Volatility (Vols.) - time priority.
    - ii. The time recorded at FX Options Dealing System central server shall be the basis for determining time priority.
    - iii. The best buy/ sell or Bid/ Offer Order shall match with the best sell/ buy or Offer/ Bid order. The best buy/ Bid Order shall be the one with the highest volatility and the best sell/ Offer order shall be the one with the lowest volatility. In case there is more than one Bid/ Offer Order at the same rate, the FX Options Dealing System shall follow the ‘time priority’ principle based on the time stamp given by the FX Options Dealing System for matching the Orders.
    - iv. An Order shall become an active Order at the time of its entry into the FX Options Dealing System. If such an Order (except IOC or FOK), on entry into the FX Options Dealing System, does not find a matching Order, it would convert as a passive Order and remain in the FX Options Dealing System.
    - v. All outstanding Orders remaining unmatched in the FX Options Dealing System at the end of Dealing Session shall be cancelled automatically.
  - b) In Request for Quote (RFQ) Window:
    - i. Member can either place Request for Quotes (RFQ) for Option Premium for a bespoke structure or place RFQ for Option Strike Price for one leg of the bespoke structure with the structure premium input by the Member.

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- ii. Request for Quote (RFQ) shall be sent by the initiating Member to the other participating Members on either single (one-to-one) mode or group (one-to-many) mode of communication. Each responding Member's response would follow a single (one-to-one mode) of communication with the initiating Member.
- iii. The quotes received from the responding Members shall be displayed as per the best quote available followed by the remaining quotes. The initiating Member will have the choice to negotiate with the responding Members on the received quotes through the order form. Once the initiating Member confirms the received quote, it shall result in a Trade . Such Trades shall be automatically sent by the FX Options Dealing System to Clearing Corporation for Clearing and Settlement.
- iv. The initiating Member while placing the Order shall indicate the timelines within which the responding Members shall provide quotes. The responding Members shall provide quotes and indicate the time for which the quotes shall be valid, beyond which the quotes shall expire. Once the initiating Member confirms on any one of the received quotes, (resulting in a Trade), the negotiation shall cease on such confirmation and the remaining received quotes shall be cancelled, with a message to that effect to the responding Member(s)..

### **H. Post Order Matching Activities:**

1. For the Central Limit Order Book Window and Single Options Order Book Window, once the Order is matched based on Implied Volatility (Vols.), FX Options Dealing System shall generate FX Call Option or FX Put Option contracts relevant to the product being traded along with Forward Delta contracts.
2. For the Central Limit Order Book Window and Single Options Order Book Window, once the Order matching happens, the undernoted computations shall be carried out by the FX Options Dealing System:
  - a) Strike Rates of the FX Option contracts
  - b) Option Premium
  - c) Forward Delta Amount

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3. On the Central Limit Order Book Window, for Butterfly Spread, FX Options Dealing System shall auto-compute 'vega adjusted notional amounts' for two (2) legs of ATM Straddle.
4. For the Trades dealt on Central Limit Order Book Window and Single Options Order Book Window, the Forward Delta Amount (wherever applicable) shall mandatorily be exchanged between the Members.
5. For Request for Quote (RFQ) Window, if the initiating Member requests for Forward Delta exchange while placing the Order, the responding Member/(s) shall provide their quotes with or without Forward Delta amount. The initiating Member may choose to either confirm on the received quotes or let the quotes expire.
6. The Trades concluded on the FX Options Dealing System shall automatically be processed through a Straight Through Process ("STP") to Clearing Corporation for Clearing and Settlement. Member(s) may also request for a simultaneous STP reporting to CCIL-TR, provided however that, the liability to ensure such reporting or on account of any errors arising therefrom shall continue to be that of the Member.
7. The Forex Forward Trade booked as a part of delta hedging for Trades matched on the FX Options Dealing System would be reported to FX Options Segment and Clearing and Settlement shall be governed by the Regulations of the FX Options Segment of Clearing Corporation.

### **I. Limitation of Liability**

The FX Options Dealing System as specified under these Regulations are provided on a 'best-effort' basis. Clearcorp, its respective officers, directors, and employees shall not be liable to any person or Member for any losses, damages, costs or expenses (including, but not limited to, loss of profits, loss of use, and direct, indirect, incidental, consequential or punitive damages), arising from:

1. any failure, malfunction, fault in delivery, delay, omission, suspension, inaccuracy, interruption, termination, or any other cause, in connection with the furnishing, performance, operation, maintenance, use of or inability to use all or any part of any of the Dealing Systems and / or services, equipment or facilities used to support such systems and services, including without limitation electronic order entry/delivery, trading through any electronic means, electronic communication of market data or information, price reporting systems and any and all, communications networks, central computers, software, hardware, firmware relating thereto; or

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2. any failure or malfunction, fault in delivery, delay, omission, suspension, inaccuracy, interruption or termination, or any other cause, of any system and/or service equipment or facilities used to support such Dealing Systems or services, caused by any third parties including, but not limited to, independent software vendors and network providers; or
3. any errors or inaccuracies in information provided by Clearcorp.

**Chapter VI: Risk Management**

**1. Authority to impose limit:**

1.1 Clearcorp shall have authority to impose such limits as advised by Clearing Corporation so as to determine the extent of dealing operations a Member/ its Constituent(s) may be permitted to undertake on Clearcorp's FX Options Dealing System.

**2. Margins/ Collaterals**

2.1 The FX Option Trades and the Forex Forward Trades booked as a part of delta hedging on the FX Options Dealing System shall be processed for Clearing and Settlement by Clearing Corporation.

2.2 Such Trades accepted for Clearing and Settlement shall be governed by the Regulations of the FX Options Segment of Clearing Corporation.

2.3 Prior to commencement of dealing in FX Option instruments on Clearcorp's FX Options Dealing System, every Member shall contribute the required amount of Margins to support Proprietary Trade(s) and Constituent Trade(s).

2.4 A Member's contribution towards Margins as above shall cover its Margin obligations towards Initial Margin, Mark to Market Margin and/ or any other Margin that may be prescribed in the Regulations of the FX Options Segment of Clearing Corporation.

2.5 The Margin requirements arising out of the Trade concluded on the FX Options Dealing System shall be computed as per Chapter VIII on Risk Management under Regulations of FX Options Segment of Clearing Corporation.

3. To ensure effective risk management in respect of FX Option Trades , Clearcorp, on its own or at the instance of Clearing Corporation, may set limits on the size of Orders that a Member may be allowed to place in the Segment. Such limits will be set based on capital, financial position, Counterparty Risk Assessment (CPRA) grading/ rating, operational capability etc. of the Member. Clearcorp may also, on its own or at the instance of Clearing Corporation, set limits up to which Orders may be allowed to be accumulated for the Segment. A Member may set limits on its Constituent(s) on the size of the Orders, accumulation of Orders. These limits shall be less than or equal to that of the Trading Member as set by Clearcorp.

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4. The FX Options Trades and the Forex Forward Trade concluded on FX Options Dealing Segment shall be subject to online checks for adequacy of Margin for both Counterparties to the Trade on a post Trade basis.
5. If the Margin utilization by a Member / its Constituent(s) reaches or exceeds certain prescribed level, the Member/ its Constituent(s) shall be temporarily deactivated from the FX Options Dealing System. All outstanding Orders in FX Options Dealing System of such Member/ its' Constituents shall also be cancelled upon deactivation.
6. On Margin utilisation of a Member / its Constituent(s) reaching a specified level, the Member may be allowed access to the FX Options Dealing System on risk reduction Mode. In this mode, the Member/ its Constituent(s) may be allowed to place certain type of Orders (like Immediate or Cancel Order) only in the FX Options Dealing System. Margins on these Orders may also be collected before these are allowed to be placed for Matching in the FX Options Dealing System and without allowing offsets between buy and sale Trades..
7. If a Member / its Constituent(s) fails to fulfill its Margin obligation, either for Trades done through FX Options Dealing System, or on outstanding Trades accepted for Clearing and Settlement by Clearing Corporation, Clearcorp shall be entitled, at its sole discretion, to temporarily suspend the rights of the Member/its Constituent(s) from trading on the FX Options Dealing System. The temporary suspension of rights of Members / its Constituent(s) to Trade in FX Option Instruments in FX Options Dealing System may be revoked by Clearcorp on fulfilment of the Margin obligation and on recovery of other additional charges, if any.
8. **Void Trade**
  - a. The Trades concluded on the FX Options Dealing System are guaranteed by Clearing Corporation in accordance with the Bye-Laws, Rules and Regulations of Clearing Corporation. The Trades concluded on FX Options Dealing System shall not be cancelled under normal circumstances.
  - b. Clearcorp, however, under exceptional situations, shall have the right to cancel the Trades in case of any system failures at Clearing Corporation or Clearcorp leading to failure of Trade acceptance process or where such action is necessary to protect the integrity of the market or in the case of Trades resulting from an error where such Trade

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is attributed to fraud, material mistake, regulatory action, error that impacts the sanity of Rate/ price discovery, etc. or where such action is necessary to protect the integrity of the market as per policy notified from time to time.

- c. Notwithstanding any other provisions, Clearcorp, shall be entitled to cancel any Trade if it believes that the Trades are executed at the prices that could adversely affect market integrity or if both the Counterparties to the Trade desire such cancellation or treat any Trade as cancelled if any such Trade is treated as void by Clearing Corporation in accordance with Bye-Laws, Rules and Regulations for the purpose of Clearing and Settlement.
- d. Trades treated as cancelled in such events set out in clause (a), (b) and (c) above shall be *void ab initio*. No liability whatsoever shall accrue to Clearcorp/ Clearing Corporation and/ or any of its officials for not Clearing and Settling such Trades in terms of this provision.
- e. The policy for Trade cancellation, if any, shall be notified by Clearcorp from time to time.

**Chapter VII: Clearing and Settlement**

1. Trades executed on the FX Options Dealing System shall be automatically sent by the FX Options Dealing System to Clearing Corporation for Clearing and Settlement.
2. The Clearing and Settlement of Trades by Clearing Corporation shall be subject to the provisions of its Bye-Laws, Rules and Regulations of FX Options Segment of Clearing Corporation.
3. Trades once cleared by Clearing Corporation, shall continue to be dealt under the FX Options Segment of Clearing Corporation till the expiry of the FX Option contracts.
- 4. Option Exercise Window**
  - a. Trades due for expiry shall be displayed to Members for exercise in a special Option Exercise Window on FX Options Dealing System.
  - b. The Option Exercise Window on FX Options Dealing System shall be activated for Members at such time of the day as notified by Clearcorp.
  - c. Trades with Strike Prices outside the threshold level (as notified by Clearcorp in consultation with the Members) shall be marked as exercised/ expired automatically depending upon whether the Option is In-the-Money (ITM) Option or Out-of-the-Money (OTM) Option.
  - d. Trades with Strike Price within the notified threshold level shall be made available for buyers to mark as exercised/ expired. If the Member does not exercise its option within the notified time for Option Exercise, the option Trade shall be auto exercised/expired depending upon whether the Trade is 'In-the-Money' or 'Out-of-the Money' respectively. The time till which the Option Exercise Window will be available for exercise post the Expiration Time shall be notified by Clearcorp.
  - e. Once the Option Exercise Window closes, the status (expired/ exercised) of Trades shall simultaneously be made available to the seller.
5. Upon exercise, the resultant spot deal of USD-INR shall be automatically sent to the Forex Segment of Clearing Corporation and the Members would be deemed to have consented for such flow. The Bye-Laws, Rules and Regulations of Clearing Corporation's Forex Segment would be applicable for Settlement of such spot deals and shall be taken up for Settlement as notified by Clearing Corporation.



**Chapter VIII: Sudden Event Handling**

1. Clearcorp may, due to the occurrence of any unforeseen event or circumstances beyond the control of Clearcorp, suspend the Dealing in its FX Options Dealing System by declaration of an unscheduled holiday.
2. Clearcorp shall duly inform the Members the procedures adopted in such eventuality set out in Regulation (1) above.
3. Clearcorp may elect to cancel all the Trades concluded on the FX Options Dealing System under notification to Members.
4. Clearcorp may carry out any modifications that it feels relevant or necessary to any of the aforesaid provisions from time to time.
5. All decisions taken by Clearcorp shall be final and binding on all the Members.
6. Clearcorp shall not be held liable in the event of Force Majeure, strikes or any other unavoidable event that prevents Clearing Corporation/ Clearcorp from carrying out its duties pursuant to judicial orders, regulatory provisions, war (declared or undeclared), terrorist acts, general mobilization, earthquakes or any other natural disaster and strikes.

**Chapter IX: Miscellaneous**

1. Clearcorp is entitled in its absolute discretion to amend or supplement from time to time the provisions of its Bye-Laws, Rules and Regulations or any communications/ Notifications/circulars/instructions issued thereunder to the extent necessitated by market conditions and/ or regulatory requirements. The same shall be binding on the Members.
2. Members shall normally be notified of any changes with due advance notice prior to the effective date thereof, unless any emergent action of Clearcorp becomes necessary due to any sudden development making such advance notification impossible.

**A. Suspension of a Member from the FX Options Dealing System by Clearcorp.**

1. Clearcorp may suspend any of its Members/its Constituent(s) as specified in the Bye-Laws, Rules and Regulations or direct a Member to suspend its Constituent(s).
2. The Managing Director (MD) of Clearcorp or a Committee of not less than two officials nominated by the MD may disable a Member /its Constituent(s) from accessing the facilities of Clearcorp, if in the opinion of the MD or the Committee of officials circumstances exist warranting disablement pending suspension.

Provided that, within 4 hours after such disablement, the MD or the Committee of officials as the case may be shall record in writing the reasons for such disablement provided however that the same shall be reported at the next Board or the Committee meeting whichever is earlier. After such disablement, Clearcorp shall communicate the information to other Members.

**B. Limitation of Liability.**

1. No claim suit or any other legal proceeding shall lie against Clearcorp or any of its officials for anything with respect to the FX Options Dealing System, which is done or intended to be done by them in good faith.

**C. Dispute Resolution.**

1. All disputes between the Member and Clearcorp shall be handled by the dispute resolution mechanism as laid out in Chapter VIII of Clearcorp Bye-Laws.

**D. Jurisdiction.**

1. Any deal entered into through the FX Options Dealing System shall be deemed to have been entered at the computerized processing unit of Clearcorp at Mumbai and the place of contracting shall also be reckoned to be Mumbai.
2. All parties to a reference to arbitration and the persons, if any, claiming under them, shall be deemed to have submitted to the exclusive jurisdiction of the courts in Mumbai or any other court as may be prescribed by Clearcorp for the purpose of giving effect to the provisions of the Arbitration and Conciliation Act, 1996 as laid out in Chapter VIII of Clearcorp Bye-Laws.