

Media Release

ICCL Renews Counterparty Default Insurance of INR 4.11 Billion

Mumbai, March 5, 2016: The Indian Clearing Corporation (“ICCL”) has renewed its Counterparty Default Insurance cover to INR 4.11 billion. Now in its third year, the objective of the Policy is to protect ICCL against counterparty defaults, and add a further capital cushion to the ICCL network making the resources of the non-defaulting members even safer.

ICCL seeks to maintain sufficient financial resources to finance growth and ensure financial flexibility while maintaining its creditworthiness and liquidity. ICCL is the only clearing corporation in the World with such a Default Insurance, which comes above the Default Fund of the clearing corporation in the Default Waterfall. The policy further boosts the ability of ICCL to absorb losses before any resources of the non-defaulting members are put at risk. The magnitude of potential loss due to default a clearing corporation can undertake without affecting the capital of non-defaulting members is contingent upon the network of the Clearing Corporation and additional capital cushions, which insulates the non-defaulting members’ resources from the default loss. The additional capital cushion, provided by the Insurance cover, along with ICCL’s own resources in the Default Waterfall, covers nearly 4 times the default fund requirement of ICCL and further increases the safety for domestic and international participants alike. This Default Insurance cover has been one of the enablers for ICCL to limit the liability of additional contributions by non-defaulting members to INR 1 million.

About ICCL:

ICCL was incorporated in 2007 as a wholly owned subsidiary of BSE. BSE is Asia’s oldest stock exchange with more than 5400 listed companies. ICCL, a Qualified Central Counterparty (“QCCP”), carries out the functions of clearing, settlement, collateral management and risk management for various segments of BSE. ICCL is the only clearing corporation in India to have been granted “AAA” rating by two rating agencies, India Ratings Ltd. (Indian arm of Fitch Ratings) and Care Ratings Ltd. ICCL is primarily regulated by the Indian Capital Market Regulator, SEBI and also the Central Bank, RBI, for select products.

ICCL provides full novation and has the responsibility of guaranteeing contractual performance by playing the role of a central counterparty for trades executed on BSE and guaranteed by ICCL, thereby eliminating counterparty risk for the members. In essence, it splits the original contract between the initiating counterparties into two new contracts; one each between ICCL and the initiating counterparties. Novation enables ICCL to be the universal counterparty to all contracts and allows greater flexibility and discretion in its clearing and settlement practices. ICCL has put in place a risk management framework to mitigate the risk it undertakes in its capacity as a Clearing Corporation.