

CLEARING CORPORATION OF INDIA LIMITED (CCIL)

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INTRODUCTION

Clearing Corporation

A clearing corporation is an organization associated with an exchange to handle the confirmation, settlement and delivery of transactions.


Clearing corporations fulfill the main obligation of ensuring transactions are made in a prompt and efficient manner.

Clearing corporations are also referred to as "clearing firms" or "clearing houses."

In order to make certain that transactions run smoothly, clearing corporations become the buyer to every seller and the seller to every buyer.

CCIL stands for clearing corporation of India limited was set up in the year 2001 commenced business operations in the securities market on February 15, 2002.

It is a reputed institutional framework in Indian organization to provide guaranteed clearing and settlement functions for transactions in money, government securities, money market instruments, foreign exchange and derivative markets.



The introduction of guaranteed clearing and settlement led to significant Improvement in the market efficiency, transparency, liquidity and risk management/measurement practices in these market along with added benefits like reduced settlement and operational risk, savings on settlement costs, etc.

DEFINITION OF CLEARING CORPORATION OF INDIA LIMITED

“Clearing corporation is an organization associated with a stock exchange, established to handle confirmation, settlement and delivery of transactions. It is also called Clearing House or Clearing Firm.”

VISION AND MISSION OF CCIL

VISION

“To be a pivotal Financial Market Infrastructure.”

MISSION


- “1. To promote safety, efficiency and systemic stability through agile technology and risk management processes and practices matching or exceeding global standards*
- 2. To encourage research and collaborative thinking for shaping the future of financial markets through innovation.”*

The Company was incorporated with the **authorized Share Capital** of Rs 100Crores

EQUITY SHARECAPITAL RS. 50 CRORE

PREFERENCE SHARE CAPITAL RS. 50 CRORE

THE CORE PROMOTERS I.E HDFC BANK,SBI,ICICI,LIC,IDBI have contributed more than 50% of the total equity share capital of the company and rest of the capital by other financial institutions



For example, if two investors agree to the terms of a financial transaction, such as the purchase or sale of a corporate security, a clearing corporation will act as a middle man, facilitating the purchase on one end and the sale on the other end of the transaction.

While clearing corporations may facilitate all forms of transactions, they are most helpful in more complex transactions,

OBJECTIVES OF CCIL

1. THE (CCIL) was set up with the **prime objective** *to improve efficiency in the transaction settlement process*

2. The main motto of CCIL is *to bring out efficiency in transaction settlements and protect the financial system from risks arising from operational issues.*

3. **CCIL 's objective** is *to provide risk mitigated Clearing & Settlement services as a Central Counterparty of institutional trades in OTC financial markets (Securities, Money market Instruments, Forex , and Derivatives etc.).*

4. To undertake activities for broadening and deepening the financial markets in india

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ROLE AND FUNCTION OF CCIL

THE ROLE OF CCIL IS VERY SIGNIFICANT IT PERFORMS NUMBER OF TRANSACTIONS ACTING AS A CLEARING AGENCY .

IT IS THE *FIRST AUTHORISATION* TO OPERATE AS A PAYEMENT SYSTEM PROVIDER HAS BEEN GRANTED *BY RBI*.

ITS ROLES CAN BE HIGHLIGHTED BELOW:-

- 1. Within a short span of abut 12 years, it has established itself as a very strong company in its line of business.*
- 2. Beyond the clearing and settlement of governments securities ,its has started the settlements of FOREX and MANY OTHER PRODUCTS.*
- 3. It is also running a trade repository for the OTC interest rate swaps and forward rate agreements for market makers.*
- 4. CCIL also developed successfully portfolio compression for OTC interest rate derivatives.*
- 5. It has able to mitigate the settlement risk from the system*

6. It provides cost effective and efficient solutions to the market participants.

7. CBLO settled the guaranteed by CCIL which has helped the market participants as well as reserve bank to find a solution to unusual dependence on uncollateralized call market.

FUNCTIONS OF CCIL

Provision of guaranteed clearing and settlement functions to various markets.

Apart from secondary market, Clearing Corporation also deals with transactions in:

- Money Markets – Used to manage their liquidity positions through lending and borrowing loans for period less than one year:
- Foreign Exchange Markets – Largest financial market where participants can sell, buy, exchange and speculate on currencies.
- Government Securities(G-Sec) – Tradable debt obligation from government to its fiscal deficit.
- Derivatives Market – Market for trading instruments derived from other forms of assets namely futures and options.

1.Improving market efficiency, ensuring transparency, liquidity and risk management are its prime functions.

2.It conducts a background check on the financial strengths of the traders involved, in transactions, in order to avoid failure of performance or partial fulfilment of obligations.

3. It offers settlement services to the government.

4. Clearing corporation is most helpful in settlement of complex transactions like future contracts. (Where the buyer and seller agree to trade a commodity at a predetermined future price and date).

5. CCIL also covers trade settlements for wholesale market entities like banks, insurance companies and mutual funds.

6. CCIL acts as a calculation agent to FBIL – Financial Benchmark India Pvt Ltd. It takes responsibility for administering the value of government securities.

7. It eliminates the need for any post settlement arbitrations.

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ROLE AND FUNCTION OF CCIL

- Government securities market
- Money market
- Forex market
- Derivatives market.

Government securities market The Clearing Corporation plays the key role of a Central Counter Party (CCP) in the government securities for all transaction by interposing itself between two counterparties.

{“Counterparty” means the other party with whom a Member has entered into a trade. }

Money market The CCIL introduced the innovative product called CBLO to overcome delimitations of the traditional repos.

A collateralized borrowing and lending obligation

(CBLO) is a money market instrument that represents an obligation between a borrower and a lender as to the terms and conditions of a loan. Collateralized borrowing and lending obligations allow those restricted from using the interbank call money market in India to participate in the short-term money markets.

Forex segment The settlement of Forex transactions by CCIL started from November 8, 2002. This segment accepts the inter-bank Cash, Tom, Spot and Forward USD-INR transactions for settlement through a process of multilateral netting.

The multilateral netting system provides a netting benefit of well over 95%.

DERIVATIVES MARKET

CCIL offers CCP clearing for Rupee Interest Rate Swaps (IRS), Forward Rate Agreements (FRA) .CCIL introduced trade reporting platform Instruments covered under IRS and FRA are Interest Rate Swap – Fixed/Floating Swaps

CONCLUSION

CCIL conclude that to clearing and settlement transactions in the various financial instruments (securities) help to improve efficiency and mitigate the risk

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