Developments in CCIL and their impact on risk in Forex Markets
Agenda

- Objectives
- Functions
- Responsibilities
- Achievements
- Way Forward
CCIL

- Government Securities
- Settlement
- Forex Settlement
- Trading (CCDL)
- Other Value Added Support Activities
- ATM Settlement
- NDS-OM
- NDS-Auction
- NDS-CALL
- CBS L
- IRS/FRA
Organization

• Initiated by RBI through a Core Committee
• Co-opted:
  – FIMMDA, AMFI, PDAI, FEDAI, RBI
• Incorporated on the 30th of April, 2001
• Operations on February 15, 2002 with the Negotiated Dealing System of RBI
• Ownership – Banks, Institutions and NBFCs
• SBI is the lead promoter
Objective

• Creating institutional structure for the C&S in Gilts and Forex & Related Products
  – Structured Settlement System with CCP
• Bringing in efficiency in the transaction settlement process
  – STP
  – Multilateral Netting
  – Finality of settlement
• Insulate the financial system from shocks emanating from the operations related issues
  – Novation
Snapshot of Daily activity at CCIL

• Govt. Bonds – Rs.6000crores (currently about Rs.15000crores)
• Repo – Rs.13000crores
• Forex – Rs.48000crores
• CBLO – Rs.30000crores
• NDS-Call – Rs.15000crores
• CLS (Cross Currency) – Rs.10000crores
• IRS/FRA – Rs.15000crores
Facilitator in Growth.....1

• Gilts
  – Guaranteed settlement eliminating Counter-party risk in outright and repo
  – On Time Settlement since Feb’2002
  – Netting benefit in terms of DvP III since April’04
    • Funds – 81%
    • Securities – 61%
Facilitator in Growth.....2

• Forex
  – Guarantee of Settlement of INR-USD Inter bank deals
  – Netting
    • 92% in 2007-08
  – CLS
    • Cross Currency Settlement of Indian Banks
– Dealing Platform – FXClear
  • Provided free of cost to members
Forex Market in India

- Growing at faster pace

Yearly Business Growth (%)
Forex Market Direction

- More Volume

**Avg. Daily Volume (Rs. Billion)**

- 2002-03
- 2003-04
- 2004-05
- 2005-06
- 2006-07
- 2007-08 (Upto Dec'07)
Volatility of Exchange Rate (1999 to 2007)
How we Manage Risk

• Central Counter Party
• Exposure Management
  – Net Debit Cap
• Daily Margins
  – Mark to Market
  – Volatility
  – Concentration
• Lamfalussy Standards
• CPSS (Committee on Payment and Settlement Systems) / IOSCO (International Organization of Securities Commissions) Compliant
Facilitator in Growth.....3

• Collateralized Borrowing & Lending Obligation (CBLO)
  – Unique Product in the World
  – Trading, Clearing & Settlement
  – Guaranteed settlement
  – Accounts for more than 50% of the total money market
  – Efficient Price Discovery
  – Sets the rates for other short term markets
Facilitator in Growth.....4

• ATM Transactions
  – Inter-bank settlement of ATM transactions through National Financial switch
Facilitator in Growth.....5

• Expertise
  – Developed and Managing the G-Secs and T-bills trading platform NDS-OM of RBI
    • Anonymous Order Matching System
    • When Issued Market
  – Developed and Managing dealing platform NDS-Call of RBI
    • Electronic Negotiation
    • Call, Notice & Term
  – Auction Module for T-bills bidding
  – IRS/FRA reporting Platform
Information Dissemination

• Availability of Information
• Trade information updates at frequent intervals
  – NDS-OM/ NDS-Call/CBLO – Real time
  – Comparable Money Market Rates – 30 minutes
  – Consolidated Information for all Market segments
    – End of day
  – Real time Data feed to
    Reuters, Bloomberg, Newswire18, Ticker Plant, etc.
Development Initiatives

- Zero Coupon Yield Curve
- Bond Indices
- T-bills Indices
- Benchmark Rates
  - MIBID/MIBOR (twice)
  - CCBID/CCBOR (twice)
  - Spot INR/USD Exchange Rate
Other CCIL Initiatives

• Publications
  – Weekly market update
  – Monthly News Letter
  – Yearly Factbook

• ISO/ICE 27001:2005 Certified for Data Security

• Training
  – 2340 officers from banks have been provided training support in last 2 years
Way Forward

• Auction of Dated Securities
• Repo Trading Platform
• Buy Back System for GSecs
Our Contribution

• Improved Transparency
• Availability of Information to all at zero or minimum cost
• Huge Savings for Members in terms of Back office cost
• Netting has provided high leverage
• Elimination of Counter-party risk
• Higher level of Trading
• Improved Liquidity in the market
Thank You