

RECOVERY AND WIND DOWN PLAN & STANDARD OPERATING PROCEDURE



NATIONAL COMMODITY CLEARING LIMITED

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Recovery and Wind Down Plan

Glossary

BG	Bank Guarantee
CCP	Central Counterparty
CM	Clearing Member
FDR	Fixed Deposit Receipts
FMI	Financial Market Infrastructures
IBC	Insolvency and Bankruptcy Code
MTM	Mark-to-market
NCCL / the Clearing Corporation/CC	National Commodity Clearing Limited
NCDEX	National Commodity and Derivatives Exchange Limited
PFMI	Principles of Financial Market Infrastructures
RWP	Recovery and Wind-Down Plan
SEBI	Securities and Exchange Board of India
SGF	Core Settlement Guarantee Fund
WSP	Warehouse Service Provider

1. Executive Summary

National Commodity Clearing Limited (NCCL / the Clearing Corporation) is a recognized Clearing Corporation by SEBI and clears and settles trade executed on the Exchange platform.

NCCL has adopted a Recovery and Wind-Down Plan (RWP). This document provides on how the recovery and wind-down of operations shall be executed based on guidelines provided by SEBI circular no SEIB/HO/MRD/MRD-PoD-3/2022/173 dated December 16,2022.

The Principles of Financial Market Infrastructures outlines that all systemically important FMIs should have a comprehensive and effective recovery and orderly wind-down plan. PFMI Principle 3 on Framework for the comprehensive management of risks provides that an FMI should prepare appropriate plans for its recovery or orderly wind-down. Further Principle 15 on General business risk require an FMI should maintain a viable recovery or orderly wind-down plan and should hold sufficient liquid net assets funded by equity to implement this plan.

2. Purpose

The purpose of the RWP is to maintain the continuity of critical services in times of extreme stress and to facilitate the recovery. Further, in case recovery effort fails, then RWP aims to enable NCCL to cease its regulated activities and achieve cancellation of its permission with minimal adverse impact on its market participants, service providers and the wider markets. RWP includes scenarios where NCCL undertakes a strategic exit from its business as well as unexpected crisis and/or losses that makes NCCL unviable. The RWP seeks to identify:

- i. The risks faced by NCCL and the risk management framework to mitigate and manage these risks.
- ii. Recovery tools in case of mitigation tools prove to be inadequate
- iii. Wind down plan in case recovery effort fails
- iv. Wind down scenarios and strategies
- v. Time, cost and resource estimation for winding down operations
- vi. Governance structure to execute RWP

3. Risk Management Framework

NCCL has put in place robust risk management framework in compliance with the regulatory requirements prescribed by SEBI to manage risks. NCCL risk management practices are also broadly in compliance with the Principles for Financial Market Infrastructures.

3.1. Major risk management measures to manage member's default:

- 3.1.1. NCCL has specific eligibility criterion for applicants which they must fulfil to become members. NCCL also has specific criterion for termination of membership,

the provisions of which are covered under Rules & Bye-Laws of NCCL. Further, there are deposit requirement from the members.

- 3.1.2. NCCL employs risk based margins where members are charged initial and other margins to cover the potential future exposure.
- 3.1.3. NCCL has other risk management measures like daily mark to market settlement, daily price limits, concentration limit etc.
- 3.1.4. NCCL maintains Core Settlement Guarantee Fund (SGF)
- 3.1.5. NCCL has defined alternative measures to liquidate the positions and regain a matched book

3.2. Settlement Bank Risk

NCCL typically manages the credit and liquidity risks arising from the failure of a settlement bank by using a number of settlement banks and strict criteria for selection of Banks to ensure high credit worthiness. Further, there is minimum time gap between pay-in and pay-out during which NCCL shall be exposed to the bank failure risk.

3.3. Investment Risks

Investments made by NCCL are based on the principles of safety, liquidity and reasonable return. NCCL has eligibility criteria for entities where investments can be made and also the instruments where investments can be made. Further, there are counter-party and instrument level limits.

3.4. Delivery Risk

Delivery risk is managed by

- 3.4.1. compliance of the Warehousing Norms,
- 3.4.2. entering into legal agreements with Warehouse Service Providers (WSP) to bind them to discharge their obligations,
- 3.4.3. audit mechanism

3.5. Operational Risk

NCCL has three lines of defence in place. Process and checks are in place to manage operational risk. Further NCCL has Business Continuity Plan and Disaster Recovery in place to ensure operations are not impacted in case of any untoward situations/incidents.

This document is segmented into following 4 categories

- a. Recovery tools
- b. Wind down strategies (Position shifting / close out / allow contracts to expire)
- c. Return of Assets
- d. Wind down as per Insolvency and Bankruptcy code

SEGMENT 1

4. Recovery Tools

In case risk measures prove to be inadequate resulting in a default by member(s), NCCL shall use the recovery tools. These tools are in line with the SEBI directives issued vide circular dated 1st September 2016 and revised guidelines issued on 3rd March 2020 on Regaining Matched Book.

- 4.1. Liquidation of the open positions of the defaulting member: - Upon the occurrence of an Event of Default of a Clearing Member, the Clearing Corporation may, at its discretion, initiate a procedure to liquidate the Open Positions of the Defaulting Clearing Member. In case the positions of the defaulter are not very large and if it is felt that the positions or large part of the positions can be closed out through liquidation in the market without much disruption, then close out of such positions/trades through a liquidation in the market shall be initiated.
- 4.2. Auction of positions - When auction of positions is resorted to for closing out of defaulter's positions, the position of the defaulting member(s) may be split into smaller tranches thereafter bids could be invited from the Clearing members. Such bids will have to be submitted within a stipulated cut off time. Auction provides significant advantage to the hedgers and other physical market participants as hedges or netting sets can remain intact. Auction also allows those who have appetite for taking new positions to buy such positions through auction. It may also facilitate defaulter's outstanding trade portfolio to be split into separate tranches and then sold.
- 4.3. Voluntary Tear-up – In case auction does not result into close-out of the entire open position of the defaulting members, the voluntary tear up shall be resorted to. Voluntary tear-up is a rules-based mechanism to invite participants to nominate contracts for tear-up to assist restoration of a matched book with or without an auction. If voluntary tear-up is successful in fully restoring a matched book, it avoids the disruption of a partial or complete mandatory tear-up without compromising participants' control of their net positions vis-à-vis the Clearing Corporation. The compensation will be paid to participant as per the SEBI guidelines.
- 4.4. Partial Tear-up – In case all the defaulting member's position could not be closed in even in voluntary tear-up, partial tear up shall be implemented. Partial tear-up is to selectively cash settle a sub-set of the contracts that will return the Clearing Corporation to a matched book. The subset could be the original opposing trades to the defaulter's or a matching set of trades drawn from across all CMs holding positions in the same class as those of the defaulter, whether or not their original trades were with the defaulter. The compensation will be paid to participant as per the SEBI guidelines.

Variation margin gains haircut is included as a part of default waterfall in the Default Handling Policy

Further, in case of potential default by member, actions as enumerated in SEBI circular dated July 01, 2020 shall be taken. The actions inter alia include the following:

1. Issuance of instruction to the banks that the balance in all the bank accounts of the member shall be frozen for debits by Banks.
2. Invoke the unencumbered collateral deposits including BGs / FDRs.
3. Secure the unencumbered collateral deposits of the member, electronic balances in the depository account including invocation of the BGs / FDRs.

In case of a default or non-default risk event

Replenishment of funds - NCCL capital is contributed by its shareholders. Capital may be contributed by the shareholders in order to replenish funds utilised, in case the net worth falls below the regulatory requirement.

5. Governance of default handling :

The recovery efforts shall be in line with the Default Handling Policy of NCCL. Further, Default Management Committee (DMC) of NCCL has been entrusted with oversight and management of default by the Governing Board. Functions of the DMC has been prescribed in the Default Handling Policy.

SEGMENT 2

6. Wind-down:

When all the recovery and resolution tools fails and likelihood of going concern of the NCCL will be challenged then, NCCL will have to consider winding-down its operations in a way that there is minimal adverse impact on its market participants, service providers and the wider markets.

A Business as Usual	B Wind-Down		
	Start Point	Wind-down period	End Point
Consider wind-down scenarios, operational requirements, time, cost and resource estimation, Governance structure	Pursuant to approval by SEBI of the de-recognition request, the Board makes decision to wind-down as per process laid down under IBC	<ul style="list-style-type: none"> Close down business in an orderly fashion and needs sufficient financial and non-financial resources to do so. Cancellation of Regulatory Permission Ongoing of Winding down process as per IBC. 	Dissolution order by the designated authority (currently NCLT under IBC)
Still a going concern even in case of financial stress	Ceases to be a going concern once decision to wind-down is made.		

7. Wind-down scenarios:

7.1. Voluntary wind down NCCL

7.1.1. Profitability - Substantial accumulated losses

7.1.2. Wind down of NCDEX - If NCDEX wind down its operations

7.1.3. No exchange business - If no exchange is willing to perform clearing through NCCL

7.2. Orderly wind-down necessitated by a default or liquidity shortfall

7.2.1. Default / Potential default by participant(s) - Non-meeting of obligations by participant(s).

7.2.2. Settlement Bank Risk - Default by largest or few settlement banks

7.2.3. Investment Risk - Default by banks or mutual funds or substantial reduction in value of investments made

7.3. Orderly wind-down necessitated by general business risk, operational risk and any other risk that threatens solvency of the CC

- 7.3.1. Operational Risk - Catastrophic situations, technology error, technology failure, cyber and information security breach, human error, fraud, etc.
- 7.3.2. Regulatory Risk - Adverse action by regulator - non-approval for new contracts of NCDEX, ban on contracts of NCDEX, substantial penalty, increased capital requirement in form of net-worth and SGF requirement impacting CC operations, unable to meet the minimum turnover criteria, direction from SEBI to wind down its critical operations and services in case of non-compliance of either the conditions of grant of recognition or renewal, wherever applicable; or any other condition under the applicable laws.
- 7.3.3. Legal risk -
- Legal case(s) involving amounts where the financial ability to meet such liability is not there.
 - Any adverse order by any court / authority impacting continuity of business of CC
- 7.3.4. Reputation risk - Adverse effect on reputation can impact the continuity of business
- 7.3.5. Capitalization risk - Company's shareholders are unwilling to recapitalise NCCL

8. Wind down decision

Consideration of the wind-down plan becomes relevant when despite management actions, recovery efforts have not been or are unlikely to be successful in reviving NCCL as a going concern.

Critical events have been identified in case any or multiple wind-down scenarios are triggered, to provide guidance in arriving decision to wind-down operations are provided in **Exhibit – 1**.

9. Wind Down Procedure:

9.1. Voluntary Winding Down:

- 9.1.1. Voluntary winding down shall be approved by the Governing Board & shareholders of NCCL and SEBI.
- 9.1.2. NCCL shall inform the members and the market regarding its decision to wind down voluntarily and shall also mention a sufficient notice period for such winding down, after prior approval of SEBI, so as not to have a significant impact in financial system.
- 9.1.3. NCCL shall continue to provide at least the critical services during the notice period

9.1.4. Once the winding down process is initiated, any open positions of the CMs and/ or its constituents at NCCL shall have to be transferred to the new CC where the CMs become member within the notice period.

9.1.5. Any open positions within the notice period that could not be transferred shall be closed-out at the daily settlement price and in terms of the provisions of the Rules, Bye-laws and Regulations of NCCL

9.2. Involuntary Winding down due to default by CM(s) or due to other factors:

9.2.1. NCCL shall announce a termination date, with prior approval of SEBI.

9.2.2. The CMs who have open positions may change their designated CC, or close-out their open positions.

9.2.3. All open positions, if any, shall expire at the daily settlement prices of the termination date.

9.3. Involuntary Winding down due to regulatory action

SEBI on case to case basis may issue appropriate directions for winding down.

10. Wind down strategy

NCCL can follow following strategies

10.1. Transfer of open positions to other clearing corporation - In this strategy, the open positions if any, of the participants shall be transferred to other clearing corporation. This would require arrangement with other clearing corporation subject to legal / regulatory enablers for doing the same. Further, provision needs to be made for consent from the participants for the transfer of positions as well as the collateral available with NCCL. Arrangements shall be required with the Electronic Registry for transfer of electronic balance of physical commodities. Further, similar arrangements with WSP for transfer of physical balances will be required.

10.2. Allow contracts to expire - In case transfer of positions to other clearing corporations is not feasible then NCCL shall allow derivative contracts to expire upon reaching contractual maturity and thereby closing the positions of the participants. A detailed calculation is required to be performed for capital and liquidity needs until the point when all the contracts expire, taking into account the cost of maintaining sufficient staff and infrastructure to support the strategy. Further post physical settlement, necessary intimation to participants and WSPs shall be made and NCCL should be absolved of all the obligations related to commodities in warehouses. Also provision for settlements shall be made for another future default till settlement.

- 10.3. **Close out of all the positions** - NCCL can also close-out all open positions in all the contracts and settle the outstanding positions. In this case MTM settlement has to be done. Further post physical settlement, necessary intimation to participants and WSPs shall be made and NCCL should be absolved of all the obligations related to commodities in warehouses.

11. Operational requirements

Requirements for different strategies discussed above would vary. NCCL has identified the following requirements:

- 11.1. Identification of critical and non-critical activity
- 11.2. Provision in regulations and bye-laws
- 11.3. Notice to the market participants, Exchanges, WSPs, Repositories, Banks and Regulator with details about the reason of wind-down, transfer or liquidation time, termination date, etc.
- 11.4. Transfer of positions, collateral and membership to another clearing corporation
- 11.5. Liquidation of all the positions and refund of the money to the participants
- 11.6. Surrender of clearing rights - Option will be given to members for surrender of clearing rights
- 11.7. De-panels of WSPs after removal of the commodities from the approved space
- 11.8. Regulatory approvals for the above steps

Detailed operational requirements have been provided in **Exhibit – 2**.

12. Time, cost and resource estimations

- 12.1. Analysis of possible sequencing and expected time to complete wind down for each of the above strategy has been made.
- 12.2. Resource required for implementation of wind-down plan - employees, infrastructure, legal & other advisors to be identified
- 12.3. Based on the analysis of the expected time and resources, estimated cost of orderly wind down has been arrived.

13. Wind-down capital

As required by Principles of Financial Market Infrastructure and SEBI circular SEBI/HO/MRD/DRMNP/CIR/P/2019/55 dated April 10, 2019 & SEBI/HO/MRD/DRMNP/P/2022/173 dated December 16, 2022,

- 13.1. a CCP shall have in place a viable recovery or orderly wind-down plan and hold sufficient liquid net assets funded by equity to implement this plan.
- 13.2. While computing the capital requirement for winding down, a CCP shall consider a minimum time span of six months for ensuring an orderly winding down or restructuring of

its activities and thus, hold liquid net assets equal to at least six months of gross operational expenses

13.3. The said capital requirement for CC shall be required to be maintained at all times.

14. Communication plan

In the event of a wind-down, there will be a wide-range of different stakeholders who will need to be notified at different points in time depending on the stage of winding down including but not limited to– regulators (other than SEBI), members, service providers including WSPs, shareholders, employees among others.

Except and to the extent provided in this policy and subject to regulatory guidelines in place, the provisions of the applicable legislation in force at the relevant time shall govern the wind down process.

(* Wherever contractual agreements are there, the communication plan will also include specific requirements in line with contractual arrangement, if any.)

SEGMENT 3

15. Return of Assets

- 15.1. NCCL shall be permitted to distribute its assets subject to conditions as laid down in its framework, guidelines issued by SEBI from time to time, or any other direction issued by SEBI or any other statutory authority
- 15.2. For the purpose of valuation of the assets of the NCCL, a valuation agency may be appointed by SEBI
- 15.3. The quantum of assets available for distribution shall be arrived at after payment of statutory dues, including applicable taxes; contribution to SEBI as specified in para 15.4 and 15.5 below, return of refundable collateral and membership deposits of CMs, return of deposits to warehouse service providers, if any, and the unutilized Core SGF contributions of CMs and Stock Exchanges, as the case may be, depending upon the scenario triggering winding down of critical operations and services.
- 15.4. Subsequent to exit, NCCL shall also be required to contribute upto 20% of its assets (after applicable taxes) towards SEBI Investor Protection and Education Fund (IPEF) in order to provide for settlement of any claims pertaining to pending arbitration cases, unresolved complaints or grievances lying with the CC, etc. The contribution percentage may be decided by SEBI taking into account relevant factors such as the governance standards of the CC, estimation of future liabilities, etc.
- 15.5. NCCL shall pay following dues to SEBI:
- 15.5.1. The dues outstanding to SEBI;
- 15.5.2. The outstanding fees of CMs till the date of such exit:
In this regard, the CC shall recover the dues of the CMs to SEBI out of the CMs' own deposits/ capital/ share of sale proceeds/ winding down proceeds of CC, etc. available with the CC. The CC shall be liable to make good any shortfall in collection of dues of CMs to SEBI.
- 15.6. Penalties collected from CM(s), and interest on these components, forming part of Core SGF shall be used by the CC in a manner as specified by SEBI from time to time.
- 15.7. NCCL shall not alienate any assets without taking prior approval of SEBI.

SEGMENT 4

16. Cease to exist

- 16.1. In case resources available are sufficient to meet liabilities after following the procedure as laid down in Segment 3 above, procedure as laid down in Section 59 of IBC shall be initiated for voluntary winding down and in case resources available are insufficient, insolvency proceeding under IBC as required under law in force at the relevant time, shall be initiated.
- 16.2. NCCL will cease to exist once NCLT passes an order for dissolution

17. Governance

17.1. Board of Directors

- 17.1.1. The Board shall be responsible for taking a decision of wind-down, initiating the wind down plan, give such declarations, appoint Insolvency Professional (IP) and carry out all such actions as required under IBC for voluntary winding up.
- 17.1.2. The Board shall constitute a designated authority comprising of personnel from top management of NCCL to carry out the wind down in coordination with the IP.
- 17.1.3. The Board shall delegate all the necessary powers to the designated authority to carry out winding down of operations
- 17.1.4. The Regulatory Oversight Committee (ROC) of NCCL shall oversee the implementation of steps or processes involved in orderly winding down of critical operations and services and shall submit a report to SEBI after approval from the governing board, in a manner as may be specified by SEBI, upon completion of necessary steps or processes.

- 17.2. The Designated Authority to be appointed by Board shall ensure completion of formalities as per wind down strategy mentioned above, SEBI circular and to co-ordinate with the IP under IBC. The designated authority shall be responsible for securing necessary Regulatory approvals from time to time.
- 17.3. The provisions of SECC Regulations, 2018 and various circulars and guidelines issued thereunder, shall continue to apply during the entire period of winding down of critical operations and services of CCs.

18. Review of the RWP

RWP shall be

- 18.1. periodically reviewed, at least on an annual basis, and
- 18.2. published or disclosed on the website of NCCL

EXHIBITS

Exhibit – 1

1. Illustrative critical events which may trigger winding down –

The CC can fund any unforeseen contingencies, defaults (other than settlement defaults), losses, etc. to the extent of own resources available and any funds which can be contributed by its shareholders. Therefore, any instance which results in substantial erosion of own resources may trigger winding down plan, subject to Board approval.

An illustrative list of critical events that may trigger winding down plan is given below:

- 1.1. Substantial accumulated losses - Losses causing reduction of net worth below Rs.100 crores
- 1.2. No exchange willing to use clearing services of NCCL - If NCDEX winds down its business or chooses another clearing corporation and no other Exchange agrees to utilize clearing services of NCCL
- 1.3. Default by participant(s) - If NCCL fails to re-establish a matched book after a large default and/or when all the default handling funds get exhausted.
- 1.4. Default by settlement bank(s)
- 1.5. Default by bank(s) and/or mutual fund(s)
- 1.6. Regulatory Risk - Increased capital requirements or levy of penalty..
- 1.7. Legal Risk - Adverse legal outcome
- 1.8. Large operational risk event – claim amount / loss

Exhibits: 2

2. Operational Requirements

Requirements for different strategies discussed above would vary. NCCL has identified the following requirements:

2.1. Identification of critical and non-critical activity

2.1.1. Critical activity include - Clearing and Settlement, Risk Management, Technology, Logistics, Compliance and Membership

2.1.2. Contractual obligations of NCCL with CMs, Stock Exchanges, Depositories, arising out of clearing and settlement of trades

2.1.3. Roles and responsibilities of the departments performing critical activity shall be as below:

SN	Department	Roles & Responsibilities
1	Clearing & Settlement	Clearing & settlement of trades, maintenance of the collateral, return of the balance collaterals to the members, mark to market settlement, issuance of Daily Settlement Price and Final Settlement Price
2	Risk Management	Liquidation of the position, maintenance of adequate margins
3	Technology	Functioning of critical risk management, clearing & settlement systems, providing regular back office files to the members
4	Logistics	Ensuring deposits and deliveries from the approved warehouses, de-empanelment of WSPs after removal of the commodities from the approved space, refund of security deposits post settlement of all claims by WSP and confirmation from repository on complete withdrawal of all commodities against the e-NWRs issued
5	Compliance and Membership	Ensuring compliance with SEBI regulations, de-empanelment of membership, confirmation from members with respect to no further liability of NCCL

2.2. Provision in regulations and bye-laws

2.2.1. Enabling provisions in the Rules/Bye Laws or by way of regulatory approvals, relating to transfer of positions to other clearing corporation shall be ensured.

2.2.2. Powers to close out all the positions in all the products cleared by NCCL are there in the regulations and bye-laws.

- 2.3. Notice to the market participants, Exchanges, WSPs, Repositories, Banks and Regulator with details about the reason of wind-down, transfer or liquidation time, termination date,.
- 2.4. Transfer of positions, collateral and membership to another clearing corporation
- 2.4.1. The consent of clients and members for transfer of positions and collaterals shall be sought.
- 2.4.2. Operational procedure for transfer of positions and collaterals to other clearing corporation shall be specified.
- 2.4.3. Confirmation from the other clearing corporation regarding completion of transfer of positions and collateral such that there is no further liability of NCCL, shall be sought.
- 2.4.4. Confirmation from clients and members regarding completion of transfer of positions and collateral so there is no further liability of NCCL, shall be sought.
- 2.5. Liquidation of the positions and refund of the money to the participants
- 2.5.1. Positions shall be liquidated in the manner prescribed by SEBI circular
- 2.5.1.1. Client/Member is not interested to transfer the position to other clearing corporation
- 2.5.1.2. In case all positions are being closed out
- 2.5.1.3. At the expiry of the contract in case position is held till the contract expires
- 2.5.2. Price at which the positions shall be liquidated:
- 2.5.2.1. In case at the time of expiry of the contract, at the final settlement price (FSP) at the termination date or price specified by NCCL
- 2.5.2.2. All open positions, if any, shall expire at the daily settlement prices of the termination date
- 2.5.3. Balance collateral shall be refunded to the members after adjusting any claims and as per the membership terms
- 2.6. De-empanelment of WSPs after removal of the commodities from the approved space
- 2.6.1. It shall be ensured that the WSP gives delivery of all the commodities stored in the warehouse as per the contract specifications. WSPs shall be instructed to compensate the beneficiary of the commodities in case of deviation.
- 2.6.2. Security deposits of the WSPs shall be released only after all the commodities stored in the warehouses has been delivered and all the dues towards beneficiaries, Clearing Corporation and repository has been settled
- 2.6.3. WSPs shall be de-empanelled and notice to the WSP and market participant to this effect shall be given

- 2.7. NCCL shall continue to operate from its registered office in Mumbai or any other place which shall be informed to the market participants
- 2.8. Technology:
- 2.8.1. NCCL shall keep operational its Risk Management and Clearing & Settlement systems till the completion of close out of all the positions
 - 2.8.2. Contracts with outsourced employees and vendors critical for maintenance of systems shall be continued
- 2.9. Data back-up shall be taken for any future regulatory requirements at all the times till NCCL ceases to exist
- 2.10. Payment of the statutory and contractual dues*
- 2.11. Settle any other claim against NCCL*
- 2.12. Refund the residual funds to the shareholders
- 2.13. Regulatory approvals for the above steps shall include applying to SEBI for de-recognition and for following steps under IBC.

[* The process and manner of the same shall be as per SEBI circular / IBC as applicable]

STANDARD OPERATING PROCEDURE

Overview

The Standard Operating Procedure (SOP) outlines the manner in which the critical operations and services of NCCL shall be carried out in an orderly manner so as to not cause any disruption to the financial system, upon triggering of any of the scenarios leading to winding down of its operations.

The SOP will be in continuation to the Recovery and Wind Down Plan (RWP) of NCCL. The purpose of the RWP is to maintain the continuity of critical services in times of extreme stress and to facilitate the recovery. Further in case recovery effort fails, then RWP aims to enable NCCL to cease its regulated activities and achieve cancellation of its permission with minimal adverse impact on its market participants, service providers and the wider markets.

NCCL will issue notice to the market participants, Exchanges, WSPs, Repositories and Banks with details about the reason of wind-down, transfer or liquidation time, termination date etc upon approval of wind down of NCCL by its Governing Board, its shareholders and SEBI

Orderly winding down of critical operations and services are as follows:

1.1. Transfer of positions, collateral and membership to another clearing corporation

- 1.1.1. The consent of clients and members for transfer of positions and collaterals shall be sought
- 1.1.2. Operational procedure for transfer of positions and collaterals to other clearing corporation shall be specified through a circular at the time of winding down.
- 1.1.3. Confirmation from the other clearing corporation regarding completion of transfer of positions and collateral such that there is no further liability of NCCL, shall be sought by.
- 1.1.4. Confirmation from clients and members regarding completion of transfer of positions and collateral so there is no further liability of NCCL, shall be sought.

1.2. Liquidation of the positions and refund of the money to the participants

- 1.2.1. Positions shall be liquidated in the manner prescribed by SEBI circular in case
 - 1.2.1.1. Client/Member is not interested to transfer the position to other clearing corporation
 - 1.2.1.2. All positions are being closed out
 - 1.2.1.3. At the expiry of the contract in case position is held till the contract expires
- 1.2.2. Price at which the positions shall be liquidated:
 - 1.2.2.1. In case at the time of expiry of the contract, at the final settlement price (FSP) at termination date or price specified by NCCL
 - 1.2.2.2. All open positions, if any, shall expire at the daily settlement prices of the termination date
- 1.2.3. Balance collateral shall be refunded to the members after adjusting any claims and as per the membership terms

1.3. De-empanelment of WSPs after removal of the commodities from the approved space

- 1.3.1. It shall be ensured that the WSP gives delivery of all the commodities stored in the warehouse as per the contract specifications. WSPs shall be instructed to compensate the beneficiary of the commodities in case of deviation.
- 1.3.2. Security deposits of the WSPs shall be released only after all the commodities stored in the warehouses has been delivered and all the dues towards beneficiaries, Clearing Corporation and repository has been settled

1.3.3.WSPs shall be de-empanelled and notice to the WSP and market participant to this effect shall be given

1.4. NCCL shall continue to operate from its registered office in Mumbai or any other place which shall be informed to the market participants

1.5. Technology:

1.5.1.NCCL shall keep operational its Risk Management and Clearing & Settlement systems till the completion of close out of all the positions

1.5.2. Data back-up shall be taken for any future regulatory requirements at all the times till NCCL ceases to exist

1.5.3.Contracts with outsourced employees and vendors critical for maintenance of systems shall be continued

1.6. Critical Resources:

NCCL has identified the below critical operations and services of the CC in case of an orderly wind down of the CC.

SN	Department	Roles & Responsibilities
1	Clearing & Settlement	Clearing & settlement of trades, maintenance of the collateral, return of the balance collaterals to the members, mark to market settlement, issuance of Daily Settlement Price and Final Settlement Price
2	Risk Management	Liquidation of the position, maintenance of adequate margins
3	Technology	Functioning of critical risk management, clearing & settlement systems, providing regular back office files to the members
4	Logistics	Ensuring deposits and deliveries from the approved warehouses, de-empanelment of WSPs after removal of the commodities from the approved space, refund of security deposits post settlement of all claims by WSP and confirmation from repository on complete withdrawal of all commodities against the e-NWRs issued
5	Compliance and Membership	Ensuring compliance with SEBI regulations, de-empanelment of membership, confirmation from members with respect to no further liability of NCCL

Retaining key employees, infrastructure, premises, technological systems including back-up, outsourcing activities / vendors /services providers, etc would depend on the time estimate for close out, transfer of position to other CC and contract allowed till expiry.

Number of key employees from various department who shall be retained and responsible for development, review, and ongoing monitoring etc. of the critical operations and services depends on whether the open position would be transferred, closed out or allowed till expire are given below:

Sr. no	Team	Close Out	Transfer to other CC	Allowed till expire
1	Clearing & Settlement	3	3	6
2	Risk Management	3	3	5
3	Cyber Security	1	1	1
4	Logistics	2	2	5
5	Compliance and Membership	5	5	5
6	Technology	4	4	5
	Total	18	18	27