



# **CLEARCORP DEALING SYSTEMS (INDIA) LIMITED (CLEARCORP)**

**A wholly owned subsidiary of The Clearing Corporation of India Limited (CCIL)**

## **A brief write-up on FX-Retail Platform**

## **TABLE OF CONTENTS**

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<b>BACKGROUND .....</b>	<b>3</b>
<b>BRIEF FUNCTIONALITY OF FX-RETAIL PLATFORM.....</b>	<b>4</b>
<b>RISK MANAGEMENT AND SETTLEMENT .....</b>	<b>7</b>
<b>BENEFITS TO THE FOREX MARKET PARTICIPANTS .....</b>	<b>8</b>

## **BACKGROUND**

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The Reserve Bank of India, in its “Statement on Developmental and Regulatory Policies” dated October 04, 2017, had stated that a mechanism should be in place for improving the pricing outcome for the “Retail User” under which client pricing is directly determined in the market by providing customers with access to an inter-bank electronic trading platform where bid/offers from Retail clients and Authorized Dealer banks can be matched anonymously and automatically.

According to RBI, a mechanism in the form of a trading platform will provide the much-needed transparency and at the same time enhance competition and lead to better pricing for the customers. Further, direct execution of orders by the customer also brings down the risk that banks face in warehousing transactions until they can be aggregated to a market lot. In this mechanism, the banks may charge their customers a pre-agreed flat fee towards administrative expenses. However, such fee should be disclosed to the customer by the bank. Overall, a trading platform shall bring down the total cost faced by the retail customer in the foreign exchange market. A discussion paper on the proposal was also issued by RBI in this regard.

Subsequently, extensive discussions were carried out with RBI and various market participants who included Banks and Corporates. Feedback and suggestions received from market participants were compiled and the approach towards the development of the new platform was finalized in consultation with RBI.

RBI in its “Statement on Developmental and Regulatory Policies” dated June 06, 2019 announced the introduction of a Foreign Exchange Trading platform for buying and selling foreign exchange for the Customers of Banks. In this regard, a circular was also issued by RBI on June 20, 2019. The platform has also been authorised by the RBI under the Electronic Trading Platforms (Reserve Bank) Directions, 2018

**FX-Retail Platform** is a web based order matching trading platform for the Customers of Banks which includes Individuals, Sole Proprietor, Partnership Firms, Corporates, Small and Medium Enterprises (SMEs) etc. The platform offers trading in CASH, TOM, SPOT and FORWARD instruments upto a period of 13 months in the USD/INR currency pair. The Customers can register with the platform through a simple and easy Registration module for availing access of the platform.

## **BRIEF FUNCTIONALITY OF FX-RETAIL PLATFORM**

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### **A. REGISTRATION PROCESS**

A separate Registration portal <https://www.fxretail.co.in> is provided for this purpose. On successful registration, the Customer's details are forwarded to the Relationship bank provided at the time of registration for verification and approval. On approval by the Relationship bank, the Customer is provided with the user credential which includes a login name and password.

### **B. TRADING SYSTEM**

- I. **Order matching Platform:** The platform allows Customers of Banks to directly place orders and book forex contracts in the USD/INR currency pair.
- II. **Internet:** Customers can access the platform through the Internet.
- III. **Instruments:** Customers can book contracts in Cash (same day settlement), Tom (next day settlement), Spot (T+2 day settlement), and Forward Instruments upto a period of 13 months on the platform in standard tenors (start of month, middle of month and end of month), broken dates or Option period (not exceeding a period of 30 days) as per requirement.
- IV. **Market watch:** The market watch of the platform provides the best bid and offer rates available for trading in Cash (same day settlement), Tom (next day settlement), Spot (T+2 day settlement) and Forward instruments upto a period of 13 months. The Inter-bank Spot rates (FX-CLEAR) are available to the Customers for view purpose.
- V. **Order matching:** The Cash, Tom and Forward orders placed by the Customers are translated into Spot Orders (on the basis of the swap points provided by the bank) for the purpose of taking them for matching in the system.
- VI. **Order entry form:** The Order entry form facilitates user friendly order placement in Cash, Tom, Spot and Forward instruments. In case of Forward instruments the customer can easily select any Forward date or Option period (not exceeding a period of 30 days), as per the requirement using the calendar provided in the order

form. The order form also displays the equivalent spot price and applicable Swap Points.

- VII. **Limit Setting:** A Bank can set the dealing limits for their customers in USD or INR terms. The Customer is allowed to place orders based on the limits set by the Relationship Bank. These Limits for Customer can be an Only Sell Limit or Only Buy limit or Global Gross (Both Buy and Sell) or Net Limit depending on the Customer profile/requirement. The limit setting facility has the following features.
- i. **Separate limits for Upto Spot and Forward:** The system allows the bank to have separate limit settings for Upto Spot and Forward.
  - ii. **Reinstatement of limits facility:** The bank can enable automatic reset of the Customer limits either on a daily basis or on a settled basis thereby reducing the operational hassle for the banks with regard to limit monitoring for their regular customers.
  - iii. **Facility to Customer to raise online limit request:** The Customer can make an online request to the Relationship bank to set a new limit or enhance the existing limit set by the bank on the platform.
  - iv. **Tenor wise limits for Forwards:** The Bank can set a maximum tenor or maximum value while setting limits for customer in Forwards.
- VIII. **Add Remarks:** Customer can enter remarks in the form of free text in the Order entry form at the time of order placement. These Remarks get captures in the Trade files sent to the bank. This is a useful feature for Customers to communicate a specific instruction to the Relationship Bank for e.g. Invoice details, Export details etc.
- IX. **Mark Up Settings:** The Bank can set the mark up for their customers at the time of approval of the Customer registration. The Mark value is transparently available to the customers.
- X. **Swap Point Settings:** The Swap points setting facilitates input/update/upload of the swap points for all instruments including Cash/Spot, Tom/Spot and Forward standard tenors (Beg-beginning of month, Mid- mid-month, End -month end) upto a period of 13 months. In case, a Customer selects a Forward tenor for which the swap point has not been provided by the Relationship Bank, the swap point for

such instrument is calculated by the linear interpolation logic (wherever possible) using the swap points provided by the bank for other standard tenors.

- XI. **Contract Cancellation Facility:** Customers can cancel forward contracts booked on the platform till the settlement date of the contract. Limits are not required for cancellation of forward contract.
- XII. **Rollover and Early delivery:** Customers can Rollover or Early deliver of outstanding Forward contracts originally concluded on the platform till the settlement date of the contract.
- XIII. **Admin system for Member:** The Member banks are provided with an internet based admin terminal for various administrative functions such as approval of customers, User creation, Trading branch registration, Customer limit management, Customer Mark-up settings etc.
- XIV. **Trading features**
- i. Orders are matched on the basis of Price time priority.
  - ii. Customer can place or hit, modify, cancel orders on the platform.
  - iii. **Counterparty:** On conclusion of a trade, the counterparty for the customer is the Relationship Bank selected at the time of order placement on the platform.
  - iv. **Session timings:** The dealing session timings shall be, as may be decided by Clearcorp from time to time.
  - v. **Aggregation feature:** Orders at the same price placed in the Retail market are aggregated to market lot size and in multiples of lot size of the Interbank Spot Instrument and made available for matching with orders in the Interbank Spot instrument. At the same time, these orders are also available in the Retail market for matching.
  - vi. **Tick Size:** The spread/tick size is same as the Inter-bank market of FX-CLEAR platform. Currently, the tick size is quarter paise (0.0025)
  - vii. **User Level Preferences:** Price and Order Quantity soft/hard check for Trading: The Customer user can set the user level preferences for Price (Hard Check and Soft check) and Order quantity (Hard check and Soft check). These settings act as a safeguard from incorrect order placement by the Customer on the platform.

viii. **Deal ticket:** The Customer is provided with a deal ticket with Relationship bank as counterparty and mark up as set by the Relationship Bank.

XV. **Add Relationship Bank:** Customer can add multiple Relationship Banks on the platform.

XVI. **Participant Interface (PI) Utility** - The platform is supported by a Participant Interface (PI) Utility, which is a client server set up wherein the client is installed at the member end and server resides at Clearcorp end. The PI utility supports enhanced & sophisticated features which enables banks to automate functions required to support and operate FX-Retail platform for their customers through the API features of the PI software. This feature enables the banks internal systems to systemically communicate through exchange of structured messages with the FX-Retail Participant Interface (PI) client real time. The FX-Retail Participant Interface (PI) client, which resides at the Member end, in turn communicates with the FX-Retail API server at Clearcorp end over both Internet and INFINET network. The PI utility is also available to customers for real time interface with their treasury system.

## **RISK MANAGEMENT AND SETTLEMENT**

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1. The relationship bank takes the credit risk of their customers and settlement of customer trade happens with the relationship bank. Each member bank can set the trading limits for their customers on the platform.
2. The trades executed by the customer on the Retail platform are settled bilaterally between the relationship bank and their customers.
3. Any interbank deal arising out of the Retail trades are settled as per the current CCIL USD/INR settlement process.



## **BENEFITS TO THE FOREX MARKET PARTICIPANTS**

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- The platform is one of its kind electronic trading platform which provides for anonymous trading and facilitates automatic price discovery in addition to other qualitative benefits.
- Retail customer can on their own, deal on the platform with real time access to current rates, thus moving from phone based trading to electronic trading.
- The platform provides for transparency and better pricing to the customers.
- The Customers' orders on the proposed platform are expected to improve the overall liquidity in the system.
- Currently, the Member Banks take merchant positions and cover the same in the market, thereby assuming the market risk for the position until covered. The Platform enables the member banks to allow their Customers to transact directly by assigning limits on the platform. This ensures that Member Banks do not run a risk for merchant positions.
- Assigning limits and monitoring the same on the proposed electronic trading platform makes the cover operations of Customer transactions hassle free and easy for the Member Banks. Customer limits monitoring is done by the system.
- The platform provides a market based solution which will help in eliminating the price risk faced by banks in warehousing customer orders until they are aggregated and covered in the Inter-bank market.
- The PI utility helps Banks and customers to automate most of their functions by allowing the platform to interface with their treasury systems.
- The objective of the platform is to be a one stop solution for the Customers to execute all their Forex requirements in USD/INR currency pair through an electronic mode.

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### **\*\*\* FX-Retail Support \*\*\***

Write to us on [supportfxretail@ccilindia.co.in](mailto:supportfxretail@ccilindia.co.in) OR  
Call us on **18002662109** (Toll Free) / **022- 61546313**