



Clearing and Settlement System

Implementing a multilateral clearing system for settlement of equity trades

Introduction

The transactions in secondary market pass through three distinct phases: Trading, Clearing and Settlement.

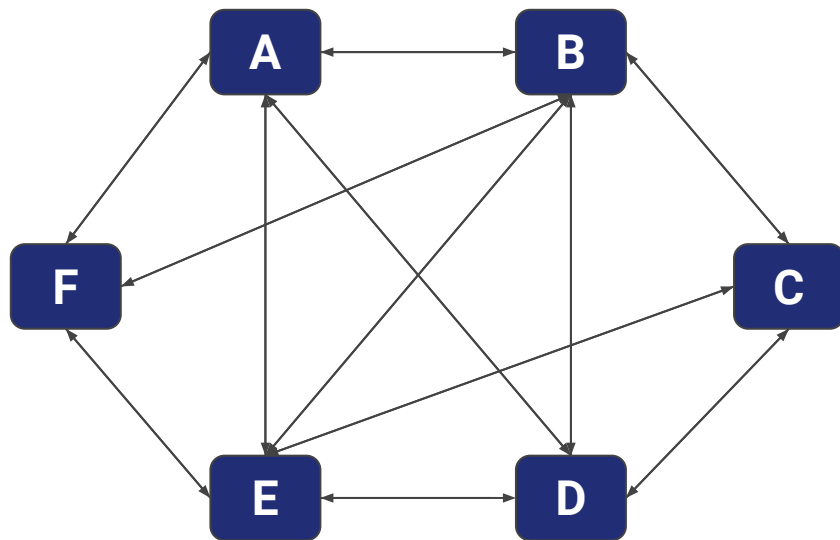
- The stock exchanges provides the platform for trading.
- The clearing corporation determines the funds and securities obligations of the trading members and ensures that the trade is settled through exchange of obligations.
- The clearing banks and the depositories provide the necessary interface between the custodians/clearing members for settlement of funds and securities obligations of trading members.



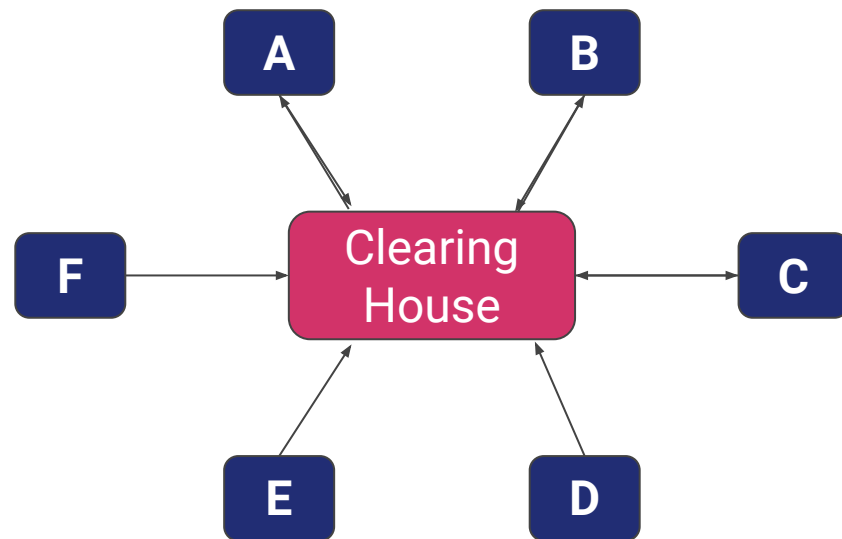
All Over The World..



Clearing House Function



VS



Bilateral Netting vs Multilateral Netting

Clearing House	Clearing Bank	Depositories	Custodians/ CMs
Responsible for post-trade activities like risk management and clearing and settlement of trades executed on a stock exchange.	Based on the obligation, the clearing member makes funds available in a dedicated clearing account opened with one of the designated clearing banks for the pay-in and receives funds in case of a pay-out.	Hold securities in a clearing pool account in dematerialized form for the investors in their beneficiary accounts.	Clearing members are responsible for settling their obligations by making available funds and/or securities in the designated accounts on the date of settlement. Custodians are clearing members who settle trades on behalf of trading members.

Entities Involved

Core Processes Involved

Trade recording & confirmation

The key details about the trades are recorded in electronic trading system to provide basis for settlement. The parties to a trade agree upon the terms of trade like security, quantity, price, and settlement date.

Obligation Determination

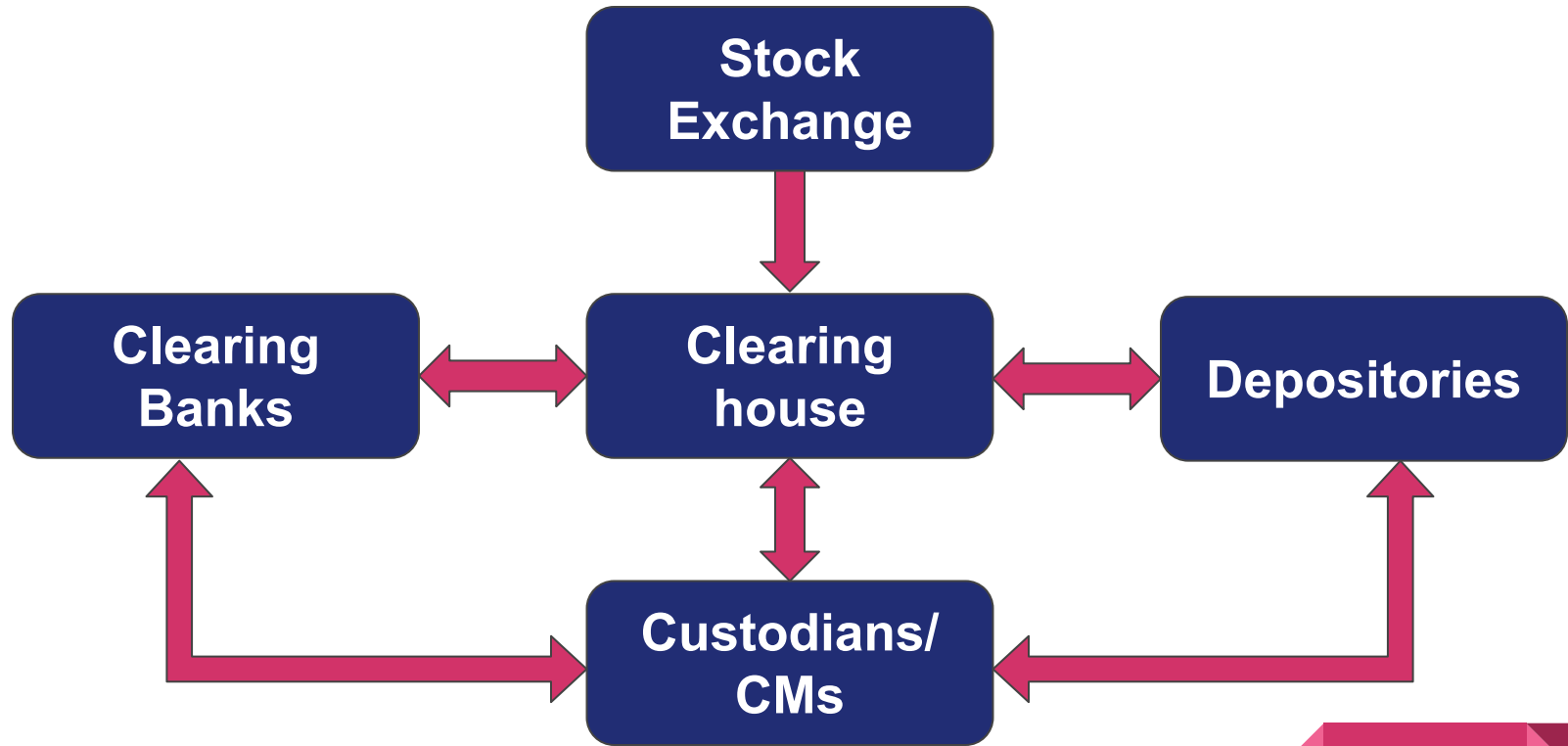
The clearing house interposes itself as a central counterparty and nets the positions so that a member has security and fund wise net obligation to receive or deliver.

Pay-In

The CMs make the securities and/or funds available in designated accounts. Depositories & banks move the securities & funds available in the pool accounts of CMs to the pool account of the clearing corporation.

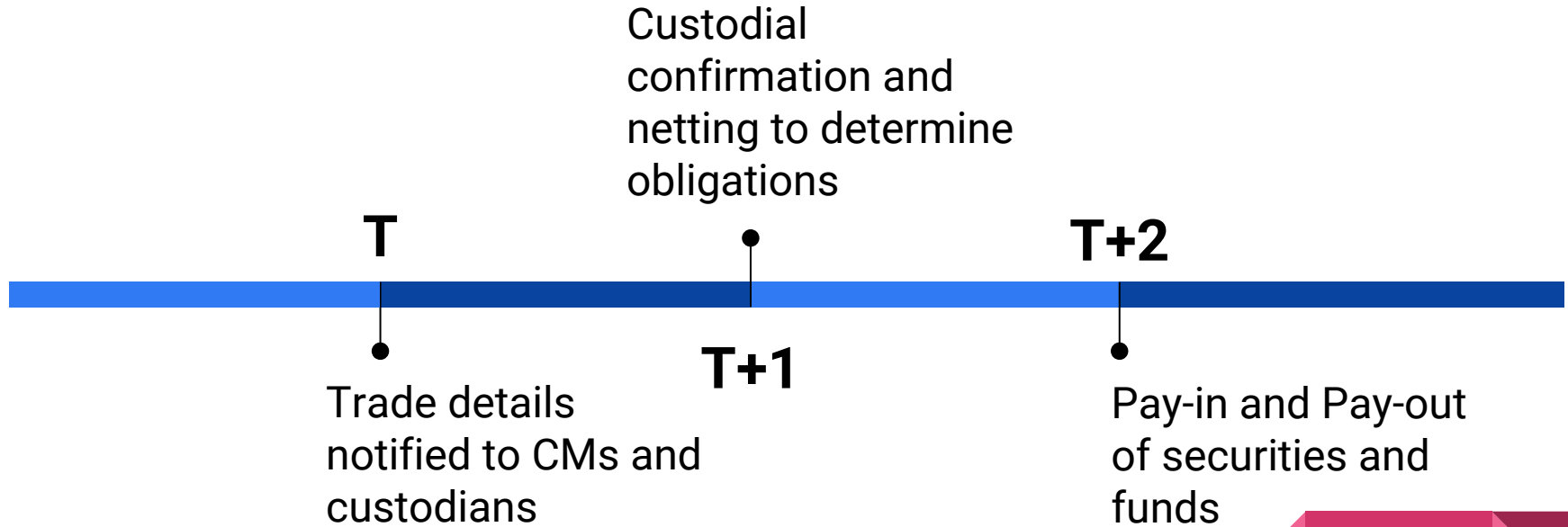
Pay-Out

After processing for shortages and arranging for movement of funds, the depositories and clearing banks debit accounts of the Clearing House and credit accounts of CMs.

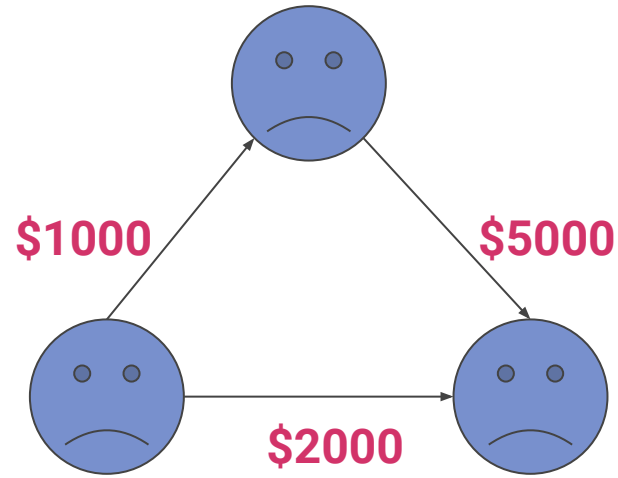


Process Flow

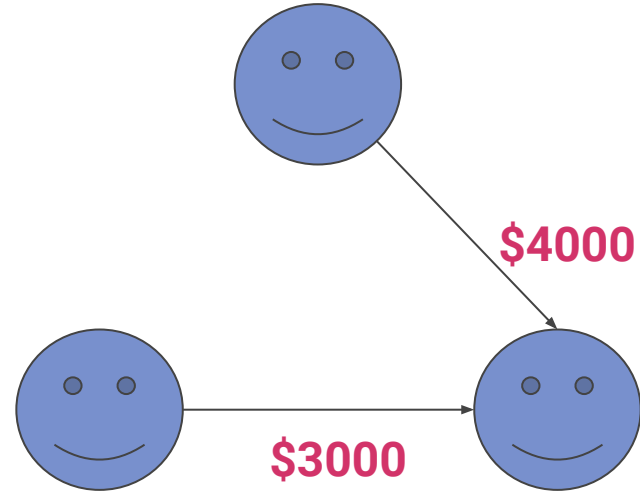
Settlement Cycle



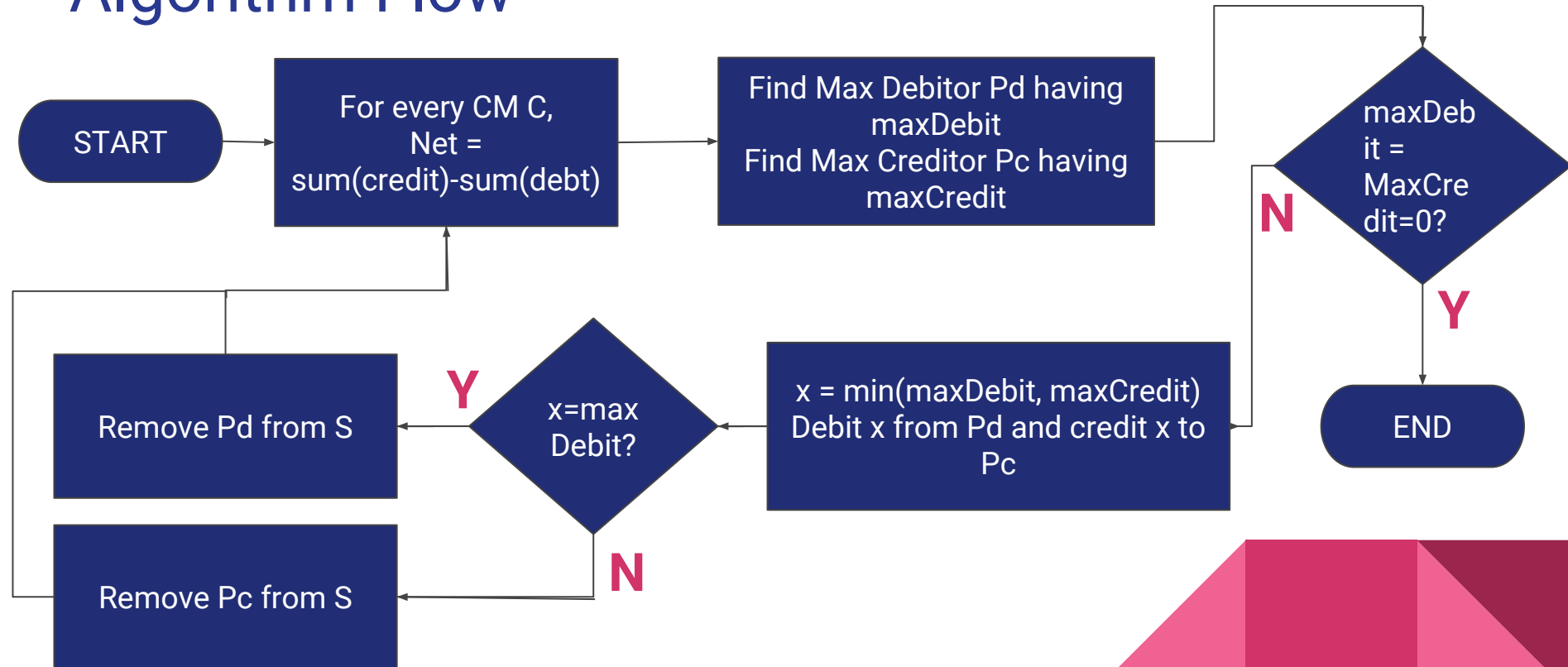
Multilateral Netting Algorithm



VS



Algorithm Flow



Our Team

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