

Essential requirements under BCBS-IOSCO’s margin requirements for non-centrally cleared derivatives vis-à-vis SARVAM

[Market Participants may also refer *FAQs 51, 52, 53, 56 of the [Initial FAQs](#)*]

Fundamental requirements (under Principle 5):

1. Collateral shall be Segregated from:
 - a. The assets of the custodian (referred as Collateral Service Provider in India),
 - b. Collateral of other Parties/Members.
2. Safekeeping / Bankruptcy remoteness.
3. Timely availability of Collateral in the event of Counterparty’s Default.

The above mentioned fundamental requirements (Principle 5) are addressed as follows:

Sr.	BCBS-IOSCO margin requirements	RBI Margin Directions	CCIL-SARVAM Rules
1.	Segregation	Directions 8(3) and 9(3).	Refer: <ul style="list-style-type: none"> - Definition of <u>Long Box Account</u>.¹ - <i>Chapter VII: Margining and Collateral Management.</i> - <i>Chapter VIII: Safekeeping, Segregation and Transfers.</i> - <i>FAQs 45 to 52 of the Initial FAQs.</i>
2.	Safekeeping / Bankruptcy Remoteness	Directions 8(1)(b), 9(5).	Refer: <ul style="list-style-type: none"> - <i>Chapter VIII: Safekeeping, Segregation and Transfers.</i> - Bilateral Netting Act, 2020 including the reference to Collateral Arrangement. - <i>FAQs 53, 56 of the Initial FAQs.</i>

¹ Refer Definition 42 of the SARVAM Rules read with Definitions 20 (Current Account) and 31 (Gilt Account).

Sr.	<u>BCBS-IOSCO margin requirements</u>	<u>RBI Margin Directions</u>	<u>CCIL-SARVAM Rules</u>
3.	Timely Availability	Direction 8(1)(a).	<p><u>Refer:</u></p> <ul style="list-style-type: none"> - <i>Chapter VII: Margining and Collateral Management.</i> - <i>Chapter VIII: Safekeeping, Segregation and Transfers.</i> - Bilateral Netting Act, 2020. - <i>FAQ 56 of the Initial FAQs.</i>

Other General requirements

Sr.	BCBS-IOSCO margin requirements	RBI Margin Directions	CCIL-SARVAM Rules
1.	In times of financial stress, the Collateral to hold its value, and be liquidated rapidly and at a predictable price. (Ex. Cash, Government Securities) (Principle 4)	Dir. 10 – (1), (2) and (9).	<p>The Eligible Collateral under SARVAM is Cash (INR) and Securities (Government Securities).</p> <p><u>Refer:</u></p> <ul style="list-style-type: none"> - <i>Chapter VII: Margining and Collateral Management.</i> - Ch. II – Definition 24.
2.	Initial Margin to be exchanged by both Parties on a gross basis without netting. (Principle 5)	Dir. 6(2).	<p>The SARVAM Rules provides for the same in accordance with the RBI Margin Directions.</p> <ul style="list-style-type: none"> - <i>Chapter VII: Margining and Collateral Management.</i>
3.	Variation Margin to be bilaterally exchanged (full value) on a daily basis. (Principle 2, 3)	Dir. 5.2, 6(6).	<p>Yes, the same is provided under the SARVAM Rules.</p> <ul style="list-style-type: none"> - <i>Chapter VII: Margining and Collateral Management.</i>
4.	Robust dispute resolution procedures between the Counterparties before onset of a transaction. (Principle 3)	Dir. 12.	<p>For the specific scope of the activity of SARVAM, a Chapter on Dispute Resolution is provided.</p> <ul style="list-style-type: none"> - <i>Chapter XI: Dispute Resolution.</i>