



THE CLEARING CORPORATION OF INDIA LTD.

Derivatives Department

Notification No.: CCIL/DRV/IRS/1123/ 53

Date: 1-Nov-2023

For All Members of Rupee Derivatives (Guaranteed Settlement) Segment

Dear Sir/Madam,

We invite your attention to CCIL's Notification No. CCIL/Legal/23/29 dated 27thOct 2023. As stated therein, the Regulations of the Rupee Derivatives segment have been amended with effect from 27/Nov/23. As part of this amendment, a new Chapter III titled 'Member Common Collateral' (MCC) has been introduced in this Regulations. Consequent to this, Members are advised that the earlier Notification with reference CCIL/DRV/IRS/14/11 dated 18th March, 2014 with regard to **Rupee Derivatives (Guarantee Settlement)** stands revised as below with the enhancement / modification underlined and deletions presented in 'strike through' font. The changes pertain to replacement of the text 'Securities Segment SGF (Settlement Guaranteed Fund)' by the text MCC (i.e. Member Common Collateral). The purpose, composition, administration, utilisation etc of the MCC are similar to those of the erstwhile SGF and no separate action is required from the members.

The Regulations are placed on CCIL's website (under the Membership Directory) for information to members. A brief write-up on the features and process flow for guaranteed settlement in terms of the Regulations is enclosed herewith for your ready reference. Members may please note that Clearing Corporation of India Ltd (CCIL) has been granted QCCP status by the Reserve Bank of India and members are requested to refer to RBI Notification DBOD.No.BP.BC.28 /21.06.201/2013-14 dated July 02, 2013 for capital requirement in respect of trade exposure and collaterals on QCCP and such other notifications issued by RBI from time to time. Members who are interested in joining the Rupee Derivatives - Guaranteed Settlement are requested to contact our Membership Department at 6154 6552/3(E mail: mcm@ccilindia.co.in) for completing the documentation formalities

Yours faithfully,

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**Authorised Signatory
The Clearing Corporation of India Ltd.**

Guaranteed Settlement for Rupee Interest Rate Swaps
and Forward Rate Agreements

1. Introduction:

CCIL has been facilitating reporting of Rupee denominated Interbank Interest Rate Swaps (IRS) and Forward Rate Agreements (FRA) since August 2007. Thereafter, as announced by RBI on 24th October, 2008 in its Mid-term Review of Annual Policy for the year 2008-09, CCIL commenced non-guaranteed settlement of OTC trades in Rupee Derivatives Segment from 27th November, 2008.

CCIL has extended CCP settlement to IRS and FRA trades for MIBOR and MIOIS benchmark since 18th March, 2014 and Modified MIFOR (MMFOR) benchmark since 3rd April 2023, wherein trades post matching would be considered for exposure monitoring and only trades that pass the exposure check will be taken up for guaranteed settlement. The trades will be multilaterally netted and settled.

2. Membership:

Entities permitted by Reserve Bank of India to enter into Rupee Derivatives Trades and satisfy the relevant membership eligibility criteria of Clearing Corporation shall be eligible to seek membership to Rupee Derivatives Segment of Clearing Corporation. The terms of guarantee and the processes would be governed by CCIL's Bye-laws, Rules and Regulations of the segment.

3. Eligible Trades:

All trades referenced to the MIBOR, MIOIS and Modified MIFOR (MMFOR) benchmarks shall be eligible for guaranteed settlement. The product features shall be as per guidelines issued by FIMMDA from time to time. The parameters for such trades are as follows:

- a) Tenor for MIBOR and MIOIS Benchmark: Trades with original maturities ranging from 1 month to 10 years.
- b) Tenor for Modified MIFOR (MMFOR) Benchmark: The trades having residual maturity of less than or equal to five years as on the date of acceptance for CCP clearing.

4. Trade Reporting/Acceptance/Rejection Criteria:

a) A trade should be reported by at least 1 day before the cash flow date;

b) A trade will be rejected if :

- it is lying unmatched for 10 days from the date of reporting;
- it remains pending acceptance for 180 days from the date of matching;
- it has not passed exposure for 2 days before the forthcoming coupon payment date of the

concerned trade;

- the trade is cancelled but the cancelled trade remains pending exposure till two working days before the forthcoming coupon payment date of the concerned trade;
- the trade is reversed but the reversal trade is pending exposure till one day before the cash flow date / reversal settlement date whichever is earlier;
- the difference between current business date and Reversal trade date is more than 10 days; • the difference between current business date and Reversal settlement date is more than 2 days.

5. Reports:

The following reports shall be made available to members availing services of guaranteed settlement :

- a) Funds Settlement Obligation Report
- b) EOD Trade Status Report for Derivatives
- c) Matched Deals Report d) Alleged Deals Report
- e) Dates Mismatch Report
- f) Unmatched and Rejected Deals Report for Derivatives
- g) Interest Reset Report
- h) Report on change in cash flow dates
- i) Status updation of deals/trades csv (IRS)
- j) Status updation of deals/trades csv (FRA)
- k) Alleged Deals pending till previous day csv (IRS)
- l) Alleged Deals pending till previous day csv (FRA)
- m) Alleged deals for the day csv (IRS)
- n) Alleged deals for the day csv (FRA)
- o) Unmatched deals pending till previous day csv (IRS)
- p) Unmatched deals pending till previous day csv (FRA)
- q) Funds Settlement Status Report for the day
- r) Derivatives Reversal Trade Report
- s) Derivatives Funds Shortage Report (if applicable)

- t) Derivatives Replenishment of Funds Shortage Report (if applicable)
- u) Derivatives Batch Trade Status Report
- v) Intra day Funds Shortage and Replenishment Report for the day (if applicable)
- w) Margin Call Report
- x) Obligation withhold Report on account of Margin Shortfall.
- y) Release of INR withhold after replenishment of Margin Shortfall
- z) Intra-day MTM report
- aa) Batch Margin Position Report
- bb) EOD Margin Position Report

Further members can also get real time access of Margin and Settlement related information from web based Integrated Risk Information System (IRIS) Platform.

6. Time Schedule for Settlement of CashFlows:

CCIL will carry out the guaranteed settlement of cashflows in respect of IRS and FRA trades between 11.00 a.m and 12 noon (Monday to Friday) through Core Banking System (eKuber).

7. Collateral:

In terms of Bye laws, Rules and Regulations of The Clearing Corporation of India Limited (CCIL), Members are required to contribute securities and / or funds towards **Member Common Collateral (MCC)** to cover their operations in **Rupee Derivatives (Guaranteed Settlement)**

In terms of the Chapter III of Rupee Derivatives (Guaranteed Settlement) Segment regulations, margin requirement for Rupee Derivatives (Guaranteed Settlement) trades is drawn out of **Member Common Collateral (MCC) contributions made by Members** ~~Collateral contributions for this segment will be sourced from member contributions to the Securities Segment~~ (Cash in INR and eligible Government of India Securities in the ratio of 5:95). Accordingly, the member will have to execute a Power of Attorney authorizing CCIL to access the **MCC account**. ~~SGF of the Securities Segment.~~

8. Margins:

a. Initial Margin:

The initial margin obligation of a member in respect of its outstanding Trades shall be computed based on the Portfolio Value at Risk (VaR) for all outstanding IRS and FRA contracts.

Initial Margin shall also include an additional component known as Spread Margin in order to effect a partial disallowance of full offsets provided through computation of Portfolio VaR.

b. Mark to Market Margin:

Members shall be liable to maintain mark to market margin on a daily basis in respect of adverse positions on its outstanding trades. MTM profits or losses for all trades of a Member based on a benchmark shall be aggregated. For any net loss, member shall be required to provide MTM margin of such amount. Apart from at end of day, MTM margins may also be computed on intra-day basis. If aggregate MTM value of a member shows MTM gain, then the member's margin account will be credited with the MTM gain amount.

In addition to the Initial Margin and Mark-to-Market Margin, there would be Volatility Margin and Concentration Margin applicable for guaranteed settlement.

c. Default Fund:

A Default Fund shall be constituted to meet the likely consequence of default in a stress test. The size of the default fund shall be determined at the end of each month. The minimum contribution of a Member shall be as follows:

- MIBOR & MIOIS- Default Fund is Rs. 1 Crore,
- Modified MIFOR (MMFOR)- Default Fund is Rs. 10 lacs.

The securities contributions and withdrawals to and from Default Fund shall be processed through our CSGL Account No.52609200001 (SG020044) which shall be sourced from **Member Common Collateral (MCC) SGF**.

The details of margin and default methodology and implementation of the same will be communicated separately by Risk Management Department from time to time.
