

SARVAM Rules – Frequently Asked Questions*

Abbreviations and Acronyms:

- BCBS Basel Committee on Banking Supervision
- CCIL The Clearing Corporation of India Limited
- CCIL-TR CCIL-Trade Repository
- CCP Central Counterparty
- CSP Collateral Service Provider
- CSA Credit Support Annex
- IM Initial Margin
- IOSCO International Organization of Securities Commissions
- NCCD Non Centrally Cleared Derivatives
- RBI Reserve Bank of India
- RBI Margin Directions Master Direction on Margining for Non-Centrally Cleared OTC Derivatives, May 8, 2024
- SARVAM Service for Analysis of Risk, Valuation and Margining
- SARVAM Rules Service for Analysis of Risk, Valuation and Margining (SARVAM) Rules, 2023
- SGL/CSGL Guidelines Eligibility Criteria and Operational Guidelines for opening and maintaining of Subsidiary General Ledger (SGL) Accounts and Constituents' Subsidiary General Ledger (CSGL) Accounts dated September 22, 2021.
- VM Variation Margin

Note:

Terms and expressions used but not defined herein shall have the meaning assigned to them under the SARVAM Rules, unless the context otherwise requires.

These Frequently Asked Questions (FAQs) are issued in January, 2025, in an attempt to provide clarifications to the frequently asked questions. The same is answered on the basis of the relevant laws and the SARVAM Rules amended as of date. The relevant laws and the SARVAM Rules may be referred from time to time for any update. In the event any doubt arises or further clarification is sought, the applicable laws and the SARVAM Rules shall be referred. The FAQs provided here shall in no manner be construed as overriding any applicable laws or the SARVAM Rules, or providing for a clarification in the case of any dispute/conflict between the same.

| | |
|---|----------|
| Abbreviations and Acronyms: | 1 |
| Part A – Operational FAQs | 6 |
| 1. Is SARVAM an end-to-end solution?..... | 6 |
| 2. How to avail the membership of SARVAM?..... | 6 |
| 3. How do I get access to SARVAM? | 6 |
| 4. Can non-members of CCIL-TR be admitted as a Member of SARVAM?..... | 6 |
| 5. What are the services a Member may choose to opt under SARVAM?..... | 7 |
| 6. How are deal(s) captured on SARVAM? | 7 |
| 7. When does the trade get captured in SARVAM? | 7 |
| 8. How are the Counterparties and Trade types identified in SARVAM and used for Margin computation? | 7 |
| 9. What is the cut-off time for accepting trades in SARVAM to compute the Margins for the day? | 7 |
| 10. Whether non-members of CCIL-TR are required to commence reporting to CCIL-TR? | 8 |
| 11. How are the Trades concluded offshore (outside India) captured for Margin computation? | 8 |
| 12. Are the Members of SARVAM required to verify the deals that are captured in SARVAM? | 8 |
| 13. How are Trades earmarked for margining? | 8 |
| 14. What will be mechanism to handle Trades for which valuation is not provided by SARVAM? | 8 |
| 15. How are the discrepancies in the ‘Trade capture’ rectified in SARVAM? | 9 |
| 16. What are the sources of ‘market data’ and the ‘time of the market data’ used in the system for valuation and margining? | 9 |
| 17. Are the bilateral CSA details required to be captured in SARVAM? | 9 |
| 18. Will CCIL facilitate the monitoring of the group level threshold?..... | 9 |

| | |
|--|----|
| 19. When and how would the reports be made available?..... | 9 |
| 20. Can Member's internal system connect to SARVAM for the purpose of reports? | 10 |
| 21. Will CCIL share the reports with the non-members of SARVAM?..... | 10 |
| 22. What is the process of collateral management/transfer?..... | 10 |
| 23. How would the Members know about the earmarking of Collateral? | 10 |
| 24. After the earmarking of Collaterals, how are the Collaterals held by CCIL?..... | 11 |
| 25. How would Members know about the Margin Shortfall / deficit in the Collateral provided?..... | 11 |
| 26. Will Members advise CCIL about the composition of the earmarking for the day? | 11 |
| 27. When will the Collateral transfer / earmarking be processed in SARVAM?..... | 11 |
| 28. What are the Collaterals currently acceptable in SARVAM? | 11 |
| 29. How is the earmarking processed if Cash as well as multiple G-Secs have been provided as Collateral?..... | 11 |
| 30. What does posting of Collateral and 'agreed Margin amount' mean for IM and VM? 12 | |
| 31. What is the rounding logic for posting of Collaterals?..... | 12 |
| 32. How would Members validate the Margin output generated by SARVAM?..... | 12 |
| 33. How is reconciliation of difference in Margin values between the Counterparties processed in SARVAM? | 12 |
| 34. If for a Member of SARVAM, a Counterparty is not registered with CCIL for SARVAM, will SARVAM generate Margin Calls for such cases?..... | 13 |
| 35. How will the Margin Calls be notified?..... | 13 |
| 36. Can a Member provide its own computation of IM and VM?..... | 13 |
| 37. How will the excess Collateral be handled? | 13 |
| 38. What happens on the maturity of a G-Sec provided as Collateral? | 13 |
| 39. What is the process of handling the Collateral received from the non-members of SARVAM?..... | 14 |
| 40. What is the procedure for handling of coupon on G-Secs? | 14 |
| 41. Whether interest on Cash Collateral is contemplated/provided?..... | 14 |

| | |
|--|-----------|
| 42. How is a shortfall of Collaterals (Margin Shortfall) addressed? | 14 |
| 43. If a Member defaults in the segments of CCIL as a Central Counterparty, will it impact the Margins placed for SARVAM?..... | 15 |
| 44. Will SARVAM support the back-testing prescriptions required as per the RBI guidelines?..... | 15 |
| Part B – Legal FAQs..... | 16 |
| 45. <i>Where are the Collaterals posted by the Members held?</i> | 16 |
| 46. <i>What does the Long Box Account comprise of?</i> | 16 |
| 47. <i>What is a Current Account in the context of the Collateral posted by the Members?</i> 16 | |
| 48. <i>What is a CSGL Account in the context of the G-Secs posted by the Members?</i> | 16 |
| 49. <i>What is a Gilt Account in the context of the G-Secs posted by the Members?</i> | 16 |
| 50. <i>Is the Current Account and CSGL-Gilt Account exclusive for holding Collateral posted under SARVAM?</i> | 16 |
| 51. <i>Are the Collateral posted by the Member segregated from the assets of CCIL? Whether the same is ring-fenced from its CCP operations?</i> | 16 |
| 52. <i>Are the Collateral posted by a Member segregated from the Collateral posted by other Members in the Long Box Account?</i> | 17 |
| 53. <i>How are the Collateral provided to CCIL under the SARVAM Rules held in Safekeeping / Bankruptcy Remoteness?</i> | 17 |
| 54. <i>What is an Event of Default Notice?</i> | 17 |
| 55. <i>Whether a security interest is created for the Collateral posted by the Members?</i> ... | 18 |
| 56. <i>Whether the Segregation, Bankruptcy Remoteness and Timely Availability of Collateral to the non-defaulting party in the Event of Default is achieved under the present legal framework?</i> | 18 |
| 57. <i>Why is an irrevocable Power of Attorney required?</i> | 18 |
| 58. <i>Whether CCIL will verify the veracity of the Event of Default Notice submitted by the non-defaulting Member?</i> | 19 |
| 59. <i>How are the Members bound by the SARVAM Rules?</i> | 19 |

- 60. Whether CCIL provides any dispute resolution for any disputes between the Members in connection with IM and VM, and/or the Event of Default notification? What would be the role of CCIL in resolving the disputes? 19*
- 61. What may be the relevant applicable laws in connection with SARVAM? 19*

Part A – Operational FAQs

SARVAM product offered by CCIL

CCIL is offering the Service for Analysis of Risk, Valuation and Margining (SARVAM) solution which is designed to provide Valuation, Margining and Collateral Management (both Variation Margin (VM) and Initial Margin (IM)), and Risk Analytics for NCCDs under its different modules.

1. *Is SARVAM an end-to-end solution?*

Yes, SARVAM has been designed to provide an end-to-end solution. It offers trade capture, Counterparty wise Portfolio creation, CSA capture, MTM (mark-to-market), Sensitivities and Margin (both Variation Margin (VM) and Initial Margin (IM)) calculations and Collateral services for the fulfilment of the Margin obligations towards various Counterparties as provided in the CSAs on account of the NCCD trades.

2. *How to avail the membership of SARVAM?*

Entities desirous of availing SARVAM's membership will need to apply to CCIL. The entities shall be required to execute and submit the membership application form and an irrevocable power of attorney, and submit the required documents. Members are requested to take note of the notifications issued by CCIL, including the notifications issued in connection with the membership of SARVAM.

3. *How do I get access to SARVAM?*

Upon approval of the application for SARVAM's membership by CCIL, the Members shall be required to provide the user details to CCIL, which will be used to create user access in SARVAM. After the users are created in SARVAM, the individual users will receive an email containing the password separately. Upon the first login, the users will be asked to change the password.

4. *Can non-members of CCIL-TR be admitted as a Member of SARVAM?*

Yes, membership to SARVAM may be availed by non-members of CCIL-TR, including entities regulated by Financial Sector Regulators, other resident and non-resident entities.

5. *What are the services a Member may choose to opt under SARVAM?*

Members may choose to opt for any of the following services:

- Variation Margin Services
- Initial Margin Services
- Variation Margin and Initial Margin Services

6. *How are deal(s) captured on SARVAM?*

Presently, the members of CCIL-TR report their OTC Derivative trades done with various counterparties to CCIL-TR. At the time of admission to SARVAM, the Members desirous of integration may provide their consent through the Membership Application Form to CCIL, for capturing the existing reported deals in CCIL-TR to SARVAM and shall make necessary interface to flow a near real time data of matched trades from CCIL-TR to SARVAM. This enables the Member's portfolio to be updated continuously. In case of a non-member, CCIL shall provide reporting mechanisms to report the OTC Derivative trade(s) to the SARVAM.

7. *When does the trade get captured in SARVAM?*

When the deals reported by both the Members are matched in CCIL-TR, the deals shall flow to SARVAM. In case there is a single side reporting of deals, such trades are auto-matched and the same flows to SARVAM.

8. *How are the Counterparties and Trade types identified in SARVAM and used for Margin computation?*

For each deal reported, a unique Member ID and a unique Counterparty ID is used to identify the Counterparties to the transaction. Further, each deal is categorized under a unique product name in SARVAM. While uploading the CSAs against the Counterparties, Members are required to use the unique Counterparty IDs and product categories for which Margin exchange is desired. Thereafter, all such Counterparties and Trades shall be reckoned for computation of Margins against the Counterparties.

9. *What is the cut-off time for accepting trades in SARVAM to compute the Margins for the day?*

The Trades are reported in CCIL-TR as per the periodicity defined in the regulatory directions for reporting. To enable the computation of the Margins for a given day, CCIL shall prescribe a cut-off time for considering the Counterparty wise Portfolio of Trades for the Margin calculations of the day. The cut-off time shall be the close of CCIL-TR reporting time. Members are requested to take note of the notifications issued by CCIL in this regard from time to time. Trades received at SARVAM after the cut-off time shall be considered in the margining requirement of the next Business Day.

10. *Whether non-members of CCIL-TR are required to commence reporting to CCIL-TR?*

CCIL shall provide the mode of reporting mechanism for non-members of CCIL-TR to report the Trades to SARVAM if required and shall assist such entities for ongoing trade reporting.

11. *How are the Trades concluded offshore (outside India) captured for Margin computation?*

SARVAM shall use all the reported deals between the Counterparties to compute the daily required Margin. Members may utilize the existing reporting mechanism to report such deals to CCIL-TR, or report separately to SARVAM such trades which are beyond the scope of the deals reported to CCIL-TR.

12. *Are the Members of SARVAM required to verify the deals that are captured in SARVAM?*

Yes, as the Margin computation would consider the trade parameters as reported by the Members, it is expected that the Members report their Trades accurately and also verify the correctness of the 'deal capture' in SARVAM on an ongoing basis.

13. *How are Trades earmarked for margining?*

Trades reported by Members will flow on a near real time basis to SARVAM. This will result in the updation of Portfolio. The Trades so captured will be tagged to a product category. While uploading the CSA the Members will have the flexibility of identifying the different product categories on which they intend to exchange the Margin with the Counterparty. Once the details are captured, the Trades under such product categories and Counterparties will be earmarked for margining.

14. *What will be mechanism to handle Trades for which valuation is not provided by SARVAM?*

All the products currently traded in Indian market are covered under SARVAM. However, if a new type of Trade is reported to CCIL for which the valuation capabilities are not in place at

the time, then the Members are expected to update the Margin values for such Trades. Accordingly, the exchange of Margin will be processed on those Margin values. CCIL will endeavor to enhance the capabilities of SARVAM to accommodate the valuation of such Trades at the earliest.

15. *How are the discrepancies in the 'Trade capture' rectified in SARVAM?*

SARVAM shall compute the Margins based on the reported deals in CCIL-TR. If a discrepancy in reporting is detected, Members are expected to take necessary steps for rectification of the same and reporting the amendment in CCIL-TR. Once the correct deals are reported, the information will be updated in SARVAM and the subsequent EOD process will generate all the MTM and sensitivities based on the updated deal parameters.

16. *What are the sources of 'market data' and the 'time of the market data' used in the system for valuation and margining?*

Market data of Rates, Fx and Volatilities shall be sourced from the benchmark administrator Financial Benchmarks India Pvt. Ltd. (FBIL) and other standard data vendors once a day at near day end for Valuation and Margin calculation purposes.

17. *Are the bilateral CSA details required to be captured in SARVAM?*

Yes, Members are required to upload their bilateral CSA details in the SARVAM system. The system shall use the details such as 'Currency', 'Minimum Transfer Amount', 'Threshold', 'Collateral Type', etc. while generating the Margin Calls.

18. *Will CCIL facilitate the monitoring of the group level threshold?*

The exposure of a Member with the Counterparty will be computed for the deals reported and will be compared against the threshold amount as prescribed in the CSA uploaded for the Counterparty. Hence, if the CSA encompasses all the Trades done in India and abroad, the exposure will be computed for all such Trades, which may be used for exposure monitoring. The group level portfolio reported or linked together can be aggregated.

19. *When and how would the reports be made available?*

The reports shall be provided daily in SARVAM in excel format and in CCIL report browser in '.csv format' and shall be accessible to the authorized officials of the Members. The reports would be made available after the completion of EOD for the Business Day. The reports would

include reports related to the 'Valuation', 'Margin values to be exchanged (both for Initial Margin and Variation Margin)', 'CRIF (Common Risk Interchange File Format) outputs' and the 'Collateral/Margin reports'. On admission to SARVAM, details of the reports and formats shall be made available.

20. *Can Member's internal system connect to SARVAM for the purpose of reports?*

Currently, all the reports are made available in the following modes:

- a. In the Reports Module within SARVAM
- b. In the Report Browser of CCIL

Other forms of connectivity such as API shall be discussed and development may be taken up subsequently.

21. *Will CCIL share the reports with the non-members of SARVAM?*

CCIL shall have no privity with non-members of SARVAM in the normal course and therefore it shall provide the respective reports to all the Members of SARVAM only. The Members can share such information with their Counterparties, if required.

22. *What is the process of collateral management/transfer?*

- i. The Members are expected to take note of their collateral requirements for the day either from the reports or from SARVAM. The requirement will show the amount of Cash or G-Secs that are required to meet the Margin obligation for the day.
- ii. The Members would then transfer the required Cash from their Current Account and G-Secs from their SGL / CSGL/Gilt account, to the Current Account of CCIL at RBI (for cash) or CSGL Account of CCIL at RBI (for G-Secs) and create a notice of deposit.
- iii. Once accepted by CCIL, the same shall move to the Long Box Account of the Member.
- iv. CCIL would earmark the Collateral provided by the Members. Post the completion of the earmarking process:
 - a. In case of VM, the Collaterals would be transferred to the Counterparties in the Current Account (for cash) and the SGL / CSGL/Gilt account (for G-Secs).
 - b. In case of IM, the Collaterals shall remain in the Long Box Account of the Member segregated in favour of their Counterparties.

23. *How would the Members know about the earmarking of Collateral?*

On completion of the earmarking process for the day, Members would be able to download the details of the Collateral which are earmarked to various Counterparties for the given day. On completion of the 'EOD' for the given day, the collateral balance report would indicate the cumulative position of the various Collateral that a Member has provided to various Counterparties.

24. *After the earmarking of Collaterals, how are the Collaterals held by CCIL?*

The Collaterals earmarked to each Counterparty of a Member are kept segregated and are shown under each CSA a Member has created. Members would be able to see the details of such Collaterals posted in the reports provided.

25. *How would Members know about the Margin Shortfall / deficit in the Collateral provided?*

The Members would have a User Interface to view the Collateral requirements for a given day. On posting the Collaterals, the Member's available Collateral would get updated and the balances would be displayed. The Members would be required to use the validation functionality to see if the Collateral amount and the composition of the Collateral is sufficient to meet the Collateral required for the day. If the Collateral provided is insufficient or if the composition is not in order, a shortfall status shall be displayed. CCIL will also endeavor to intimate the Members with respect to the shortfall in the Collaterals provided.

26. *Will Members advise CCIL about the composition of the earmarking for the day?*

No. CCIL shall earmark the Collaterals provided based on the CSA requirements and the Collaterals posted daily. Members would be able to view the earmarking on a daily basis.

27. *When will the Collateral transfer / earmarking be processed in SARVAM?*

The Collaterals would be earmarked on T + 1 day, where T is the day on which the trade has been recorded in the SARVAM system for margining.

28. *What are the Collaterals currently acceptable in SARVAM?*

Currently, INR Cash and Indian Government Securities are acceptable as Collaterals in SARVAM.

29. *How is the earmarking processed if Cash as well as multiple G-Secs have been provided as Collateral?*

Service for Analysis of Risk, Valuation and Margining

Members shall be requested to post the Collateral to meet the Collateral obligations for the day. They can post the Collaterals in the combination of Cash and G-Secs. CCIL shall value all the Collaterals based on the latest available price and shall also utilize the standardized haircuts as prescribed in the RBI directions for the valuation of Collateral. CCIL shall utilize all the available Collateral and earmark it to different Counterparties as per the requirement. However, while earmarking, CSA specific restrictions on the type of Collateral will be considered. For example, if a CSA can have only Cash as Collateral or if another CSA can accept G-Secs upto a particular maturity, then, such aspects will be considered while earmarking Collaterals. In general, while earmarking Cash and G-Secs for any particular CSA, first the G-Secs and then Cash will be earmarked.

30. *What does posting of Collateral and 'agreed Margin amount' mean for IM and VM?*

The Margins required for the day can either be computed by SARVAM or as provided by the Member. The Members would then transfer the required Cash from their Current Account and G-Secs from their SGL / CSGL account to CCIL's Current Account (for cash) or CSGL Account (for G-Secs). Subsequently, CCIL would earmark the Collaterals provided by the Members.

31. *What is the rounding logic for posting of Collaterals?*

G-Secs will be posted in multiples of Rs. 10,000 Face Value and Cash can be posted in any amount. CCIL will post the available Collaterals accordingly, to meet the obligations. While computing the Margin obligations for the day, CCIL will use the rounding logic as stated in the CSA.

32. *How would Members validate the Margin output generated by SARVAM?*

CCIL would share all the valuation output in the form of reports to the Members. Members could use the reports to validate against their internal systems. CCIL shall be using either the Standardised Approach or the latest version of ISDA SIMM model under the model approach for IM. Model specifications of both the models are available in public domain.

33. *How is reconciliation of difference in Margin values between the Counterparties processed in SARVAM?*

If both the Members are onboarded on the SARVAM platform and are using the values provided by SARVAM, then the case of differences may not arise with respect to the Margin

values. However, if the Counterparty is not a Member of SARVAM, or if a Member provides its own valuation, then such Member is expected to independently reconcile the difference, if any, on the Margin values with its Counterparty(ies) and provide the configuration (of the updated values) in SARVAM. It will be assumed that the Member has communicated and received the consent of its Counterparty(ies). Any disputes arising therefrom shall be handled bilaterally between the Member and its Counterparty(ies).

34. *If for a Member of SARVAM, a Counterparty is not registered with CCIL for SARVAM, will SARVAM generate Margin Calls for such cases?*

SARVAM will generate the Margin Calls with respect to all the CSAs that are uploaded in the system, provided the Member has eligible Trades with its' Counterparty, irrespective of whether the Counterparty of the Member is availing the SARVAM services or not.

35. *How will the Margin Calls be notified?*

If both the Members are using the services of SARVAM, then both would have the Margin Call report access. However, if a Counterparty is not using the services of SARVAM, the Member is expected to download the Margin Call report and share the details with its Counterparty. Subsequently, CCIL may consider exploring the option to capture the communication details against each CSA, which may enable the trigger of Margin Calls via email.

36. *Can a Member provide its own computation of IM and VM?*

SARVAM has been designed as an end-to-end solution. However, SARVAM supports a functionality which enables the Members to upload the values computed externally also. Once uploaded, the system will perform the earmarking, basis the revised values. It is assumed that the Member has communicated and received the necessary consent from its Counterparty(ies). Any differences or disputes arising therefrom shall be addressed directly by the Member with its Counterparty(ies).

37. *How will the excess Collateral be handled?*

Excess Collaterals reflected / available in the respective Long Box Account are available to be withdrawn.

38. *What happens on the maturity of a G-Sec provided as Collateral?*

Service for Analysis of Risk, Valuation and Margining

If a G-Sec provided as Collateral matures, then the face value of such G-Sec will be added to the Cash Margin amount which is available for withdrawal. This will be automated during the EOD process of the day.

39. *What is the process of handling the Collateral received from the non-members of SARVAM?*

This situation is specific to VM. If the Member of SARVAM is directly receiving Collateral for the day from a non-member of SARVAM, then on receipt of the said Collaterals, such information is required to be captured in SARVAM via the specific notice capture process by the Member on behalf of the Counterparty. Such notice will enable updating the Collateral balances and generating the Margin Calls on the next day using the updated Collateral balances.

40. *What is the procedure for handling of coupon on G-Secs?*

G-Secs may be provided by the Members for IM and VM. CCIL, for the benefit of its Members, will compute the respective coupon amount payable towards the G-Secs provided as Collateral. In case of VM, the G-Secs would be transferred to the Counterparty and hence the coupon will be received by the Counterparty. The Counterparty may then transfer the coupon amount to the Member who has provided the G-Sec initially. Alternatively, the Counterparty may transfer the coupon to CCIL and CCIL will in turn transfer the coupon to the Member, on request.

In case of IM, the coupons will be received by CCIL. Upon receipt of the coupons, CCIL will transfer the amount to the Member who has provided the G-Secs.

41. *Whether interest on Cash Collateral is contemplated/provided?*

Cash can be provided by the Members for IM and VM. CCIL will compute the interest amount payable in respect of the Cash provided as Collateral for the benefit of its Members.

In case of VM, the Cash would be transferred to the Counterparty. The Counterparty may transfer the interest amount directly to the Member who is supposed to receive interest on Cash. Alternatively, the Counterparty may transfer the interest to CCIL and CCIL will in turn transfer the interest to the Member, on request.

In case of IM, Cash shall be held by CCIL in the non-interest bearing Current Account with RBI. Hence, no interest on Cash Collateral for IM shall be paid by CCIL.

42. *How is a shortfall of Collaterals (Margin Shortfall) addressed?*

If the Member has not posted the required Collaterals and there is a Margin Shortfall, then the Member can specifically request to earmark Collaterals less than what is required. Upon

request from the Member, CCIL will transfer the revised amounts. Accordingly, the balance amount of Collateral will not be transferred in such a case and the member is expected to address the remaining due amount directly with such Counterparties. Any disputes arising therefrom shall be directly and bilaterally settled by the Member with its Counterparties.

43. If a Member defaults in the segments of CCIL as a Central Counterparty, will it impact the Margins placed for SARVAM?

The activities in SARVAM are segregated from the Central Counterparty (CCP) activities of CCIL and there is no comingling of the Collaterals held. Hence, there will be no impact in the event of Member's default in any CCP segment of CCIL, on the Margins placed in SARVAM.

44. Will SARVAM support the back-testing prescriptions required as per the RBI guidelines?

SARVAM has the capabilities and will support the back-testing of the Margin values generated by the system. Once generated, the same will be shared with the Members of SARVAM. The back-testing result shall be provided to the Members who are using the IM values generated by the SARVAM system.

Part B – Legal FAQs

45. *Where are the Collaterals posted by the Members held?*

The Collateral are held in the Long Box Account of SARVAM.

46. *What does the Long Box Account comprise of?*

The “Long Box Account” is an account, where the Collateral contributed by a Member is demarcated/segregated and shall be held, either in the CSGL-Gilt Account or Current Account with CCIL, for G-Sec and Cash respectively.

47. *What is a Current Account in the context of the Collateral posted by the Members?*

For the purpose of the Collateral held by CCIL, “Current Account” means the current account opened and maintained by CCIL with the Deposit Accounts Department of RBI.

48. *What is a CSGL Account in the context of the G-Secs posted by the Members?*

CSGL Account is the Constituent Subsidiary General Ledger Account (CSGL Account) opened and maintained by CCIL with Public Debt Office, RBI under the Government Securities Act, 2006, to hold the Government Securities posted as Collateral by the Members.

49. *What is a Gilt Account in the context of the G-Secs posted by the Members?*

GILT Account for the purpose of SARVAM is the account opened and maintained for holding Government Securities posted as Collateral by the Members (Gilt Account Holder) with CCIL (CSGL Account Holder).

50. *Is the Current Account and CSGL-Gilt Account exclusive for holding Collateral posted under SARVAM?*

Yes.

The Current Account is exclusive for INR Cash Collateral of the posting party and CSGL-Gilt Account is exclusive to hold Government Securities posted as Collateral.

51. *Are the Collateral posted by the Member segregated from the assets of CCIL? Whether the same is ring-fenced from its CCP operations?*

The Collateral posted by the Members are held in the Current Account for INR Cash and CSGL-Gilt Account for G-Secs, collectively recorded in the Long Box Account. These accounts are availed at RBI exclusively for the Collateral posted by the Members under SARVAM.

Accordingly, the Long Box Account comprising of the Current Account for Cash and CSGL-Gilt Account for G-Secs are exclusively to hold the Collateral posted under the SARVAM Rules. It is not comingled with or used for any of CCIL's proprietary assets or for its CCP (Central Counterparty) activities.

The Collateral posted by the Members does not forms part of CCIL's proprietary estate in the event of CCIL's winding up and the same is ring-fenced from its CCP operations.

52. Are the Collateral posted by a Member segregated from the Collateral posted by other Members in the Long Box Account?

Yes. The Long Box Account specifically identifies and differentiates the Cash and G-Sec contributed as Collateral on account of each Member. Further, the G-Secs are held in the name of the posting party in their respective Gilt Account(s) opened for each Member.

53. How are the Collateral provided to CCIL under the SARVAM Rules held in Safekeeping / Bankruptcy Remoteness?

Under the SARVAM Rules, the Collateral provided to CCIL are treated as part of a valid Collateral Arrangement under the applicable law, i.e., the Bilateral Netting of Qualified Financial Contracts Act, 2020. Furthermore, the Collateral posted to CCIL are held in a fiduciary capacity in trust as specified under CHAPTER VIII: SAFEKEEPING, SEGREGATION AND TRANSFERS of the SARVAM Rules.

CCIL is irrevocably empowered under the SARVAM Rules, to transfer the relevant Collateral to the non-defaulting party on receiving an Event of Default Notice. Further, CCIL is also empowered to return the Collateral of the non-defaulting party as per the applicable law.

Accordingly, as per Applicable Law and additionally, the Collateral being held in a fiduciary capacity in trust, is Bankruptcy Remote and are held in Safekeeping for a specific purpose as enumerated under the SARVAM Rules.

54. What is an Event of Default Notice?

Service for Analysis of Risk, Valuation and Margining

An “Event of Default” or “Default” means failure to pay or deliver or honour the obligations under a Qualified Financial Contract or any other event as may be specified as a default / event of default under a Qualified Financial Contract.

An Event of Default Notice is the Notice submitted by the non-defaulting party to CCIL, intimating the ‘Default’ / ‘Event of Default’ of its Counterparty.

55. *Whether a security interest is created for the Collateral posted by the Members?*

CCIL is acting as a Collateral Service Provider (CSP) and holding the Collateral as a part of providing the collateral management services on behalf of the Members. CCIL is irrevocably empowered by the Member under the SARVAM Rules, to part with the Collateral on receipt of an Event of Default Notice. The RBI Margin Directions, the Bilateral Netting of Qualified Financial Contracts Act, 2020 and the SARVAM Rules enable the transfer of Collateral seamlessly and provide for the legal framework for the same.

Accordingly, CCIL does not create any security interest under the framework so provided.

The Collateral are segregated and held in the respective Long Box Account of the Members. CCIL is empowered by the Members under the SARVAM Rules to transfer the Collateral on receipt of an Event of Default Notice from the non-defaulting Member. The same is achieved by virtue of an irrevocable power of attorney as specified under the SARVAM Rules and is in line with the Collateral Arrangement as specified under the Bilateral Netting of Qualified Financial Contracts Act, 2020.

56. *Whether the Segregation, Bankruptcy Remoteness and Timely Availability of Collateral to the non-defaulting party in the Event of Default is achieved under the present legal framework?*

The provisions of the SARVAM Rules are a Collateral Arrangement. The SARVAM Rules r/w the RBI Margin Directions and the Applicable Laws enable segregation of the Collateral. Furthermore, the Bilateral Netting of Qualified Financial Contracts Act, 2020 provide sufficient protection to ensure that the Collateral provided by the posting party is available to the non-defaulting party in the Event of Default in bankruptcy of the posting party.

57. *Why is an irrevocable Power of Attorney required?*

The irrevocable Power of Attorney is required in favor of CCIL to effect the transfers of Collateral (posted under the SARVAM Rules) seamlessly and in a timely manner.

58. *Whether CCIL will verify the veracity of the Event of Default Notice submitted by the non-defaulting Member?*

No, CCIL will not verify the veracity of the Event of Default Notice. The responsibility is on the Member invoking the Event of Default notice to ensure proper due diligence and that the Event of Default notice is in order.

59. *How are the Members bound by the SARVAM Rules?*

The Members desirous of availing the services under SARVAM shall make an application (Membership Application Form) along with the associated documents, including an irrevocable Power of Attorney and such other documents in support of their membership as CCIL may require under the SARVAM Rules.

60. *Whether CCIL provides any dispute resolution for any disputes between the Members in connection with IM and VM, and/or the Event of Default notification? What would be the role of CCIL in resolving the disputes?*

The SARVAM Rules provide for a panel for resolution of disputes between the Members and/or its Counterparties, limited to the services provided under SARVAM.

However, any dispute between the Members and/or its Counterparties arising out of their bilateral arrangements (and not relating to SARVAM) shall be resolved bilaterally, and CCIL would provide only the necessary assistance in accordance with Chapter XI: DISPUTE RESOLUTION of the SARVAM Rules.

Further, CCIL carries out transfer of Collateral as directed by the non-defaulting Member (upon an Event of Default) and is not responsible for verification of the transfer instruction given by such Member. CCIL acts in good faith and relies on the non-defaulting Member's instructions as agreed in the SARVAM Rules, and is not responsible for any consequences that may arise on account of such transfer of Collateral to non-defaulting Member. Accordingly, any dispute arising therefrom shall also be bilaterally settled.

61. *What may be the relevant applicable laws in connection with SARVAM?*

The following are the relevant applicable laws in connection with SARVAM, along with the web link (government source) to access the same:

Service for Analysis of Risk, Valuation and Margining

- a. The Reserve Bank of India Act, 1934.
- b. The Bilateral Netting of Qualified Financial Contracts Act, 2020.
- c. The Government Securities Act, 2006.
- d. The Government Securities Regulations, 2007.
- e. Eligibility Criteria and Operational Guidelines for opening and maintaining of Subsidiary General Ledger (SGL) Accounts and Constituents' Subsidiary General Ledger (CSGL) Accounts dated September 22, 2021 (RBI's SGL/CSGL Guidelines);
- f. The Payment and Settlement Systems Act, 2007.
- g. 'Governing Directions' as defined under the SARVAM Rules including:
 - i. Master Direction – Reserve Bank of India (Margining for Non-Centrally Cleared OTC Derivatives) Directions, 2024 dated May 8, 2024;
 - ii. Reserve Bank of India (Margin for Derivative Contracts) Directions, 2024;
 - iii. Foreign Exchange Management (Margin for Derivative Contracts) Regulations, 2020;
 - iv. Foreign Exchange Management (Foreign Exchange Derivative Contracts) Regulations, 2000;
 - v. Master Direction – Reserve Bank of India (Market – Makers in OTC Derivatives) Directions, 2021;
 - vi. Master Direction – Risk Management and Inter – Bank Dealings dated July 5, 2016;
 - vii. Rupee Interest Rate Derivatives (Reserve Bank) Directions, 2019;
 - viii. Master Direction – Reserve Bank of India (Credit Derivatives) Directions, 2022.
- h. SARVAM Rules

Other references:

To read more on the Government Securities, CSGL Account and Gilt Account, kindly refer to the FAQ titled '**Government Securities Market in India – A Primer**' issued by the Reserve Bank of India. The same may be accessed at <https://rbi.org.in/scripts/FAQView.aspx?Id=79>.