

NOTIFICATION

RUPEE DERIVATIVES SEGMENT

Derivatives Department -Rupee Derivatives (Guaranteed Settlement)

Notification No.: CCIL/DRV/IRS/25/06

Date: 14-Feb-2025

To

All Members

Rupee Derivatives (Guaranteed Settlement) Segment

We refer to CCIL's Rupee Derivatives (Guaranteed Settlement) Segment Regulation, Chapter IV- 'Processing of Rupee Derivatives Trades' (para-A(e) 'Eligible Trades') where in CCIL prescribes the type of trades eligible for Reporting to CCIL for Clearing and Settlement.

In this regard, we invite your attention to CCIL's Notification No CCIL/DRV/IRS/1123/53 dated 1st Nov 2023, where in CCIL had prescribed the operational guidelines and process flow for reporting of Interest Rate Swap (IRS) trades referenced to MIBOR, MIOIS and Modified MIFOR(MMFOR) benchmarks for guaranteed settlement. Members are advised that the No CCIL/DRV/IRS/1123/53 dated 1st Nov 2023, stands revised as below with the enhancement / modification underlined and deletions presented in 'strike through' font. **The changes are pertaining to revision in residual maturity of CCP Clearing for IRS trades referenced to MMFOR benchmark from 5 years to 10 years** (shall be made effective from 17th March 2025 onwards).

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 1month to 10 years.
- b) Tenor for Modified MIFOR (MMFOR) Benchmark: The trades having residual maturity of less than or equal to ~~ten~~ 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. Trade Reporting for IRS trades referenced to MODIFIED MIFOR(MMFOR) Benchmark:

- The effective date of the trades is two business days after the trade date.
- The date for a particular “Rate Record Date” published by the FBIL for Modified MIFOR benchmark shall be considered as Reset date for such trades reported to CCIL.
- Reporting of Stub i.e. non-standard interest period (if any) # – Since the Modified MIFOR rate is published in arrears, Member to ensure that in case of stub, (start or end), the DM(Designated Maturity rate applicable for the stub period) should be either less than or equal to the Stub Period.

E.g. - for instance, for a 2 month stub period (interest period), the DM rate, associated with the Stub period should be 2M (FBIL Rate) or less, and not otherwise.

6. Reports:

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

- Funds Settlement Obligation Report
- EOD Trade Status Report for Derivatives
- Matched Deals Report
- Alleged Deals Report
- Dates Mismatch Report
- Unmatched and Rejected Deals Report for Derivatives
- Interest Reset Report
- Report on change in cash flow dates
- Status updation of deals/trades csv (IRS)
- Status updation of deals/trades csv (FRA)
- Alleged Deals pending till previous day csv (IRS)
- 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.

7. 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).

8. 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 (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.

9. 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).

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