

CCIL

***SERVICE FOR ANALYSIS OF RISK,
VALUATION AND MARGINING
(SARVAM)***

RULES

Amended in April, 2025

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EXECUTIVE SUMMARY

The margin requirements for Non-Centrally Cleared Derivatives (NCCDs) is one of the agreed Group of Twenty (G20) reforms to reduce the systemic risk from Over-the-Counter (OTC) derivatives. Following the G-20 recommendations and with a view to improve safety of settlement of OTC derivatives that are not centrally cleared, the Reserve Bank of India (RBI) has issued the Master Direction - Reserve Bank of India (Margining for Non-Centrally Cleared OTC Derivatives) Directions, 2024 dated May 8, 2024 (as amended from time to time).

In line with its ongoing endeavours to provide a robust market infrastructure in the Indian financial markets, The Clearing Corporation of India Ltd. (CCIL/ Clearing Corporation) is extending its services in margining and collateral management for NCCDs by offering a comprehensive, secure, seamless and innovative solution in an efficient manner to meet the above expectations and commitments.

Accordingly, it has built the Service for Analysis of Risk, Valuation and Margining (SARVAM). The solution intends to provide 'Valuation', 'Margining and Collateral Management' and 'Risk Analytics' services for NCCDs.

The exercise of formulating these CCIL-SARVAM Rules was undertaken by Clearing Corporation pursuant to consultation and feedback from the market participants coupled with Clearing Corporation's expertise in the financial markets.

CHAPTER I: INTRODUCTION

These rules for services offered under the Clearing Corporation's Service for Analysis of Risk, Valuation and Margining (SARVAM) shall be known as Clearing Corporation Service for Analysis of Risk, Valuation and Margining Solution (SARVAM) Rules, 2023 (*hereinafter referred to as "CCIL-SARVAM Rules"*).

APPLICABILITY

1. The provisions of the CCIL-SARVAM Rules, whether in full/part shall be made applicable as notified by Clearing Corporation from time to time.
2. These CCIL-SARVAM Rules (*including any notifications, procedures, circulars issued under it*) shall be applicable and binding on all Members admitted to SARVAM platform.
3. These CCIL-SARVAM Rules shall remain in force unless explicitly stated to the contrary.
4. The interpretation, construction and effect of the CCIL-SARVAM Rules shall be governed and construed in harmony and in accordance with the Applicable Laws.
5. These CCIL-SARVAM Rules may be reviewed and modified by Clearing Corporation as per the procedure laid down in CHAPTER III: THE BOARD AND ITS POWERS of these CCIL-SARVAM Rules.

CHAPTER II: DEFINITIONS

The following terms used in these CCIL-SARVAM Rules shall have the meanings therein specified for the purpose of these CCIL-SARVAM Rules.

1. APPLICABLE LAWS

“Applicable Laws” shall mean any applicable statute, legislation, law, ordinance, regulation, rule and other instruments in force from time to time, which are applicable to SARVAM.

2. APPROVING AUTHORITY

“Approving Authority” shall mean and include a committee of directors and / or the Managing Director of Clearing Corporation or any authority appointed by the Board from time to time.

3. ARBITRATION ACT

“Arbitration Act” means the Arbitration and Conciliation Act, 1996 enacted by Parliament of the Republic of India, as amended from time to time.

4. BOARD

“Board” means board of directors of The Clearing Corporation of India Ltd.

5. BUSINESS DAY

“Business Day” refers to the Trades to which it relates and shall mean a calendar day when Clearing Corporation is open for conduct of business in that Trade.

6. CASH

“Cash” means Indian Rupee (INR) and such other currency as may be notified by the Clearing Corporation from time to time.

7. CCIL-MEMBER DISPUTE

“CCIL-Member Dispute” shall have the same meaning assigned to it in Rule 2(ii)(a) of CHAPTER XI: DISPUTE RESOLUTION of these CCIL-SARVAM Rules.

8. CCIL’S REPORT BROWSER

“CCIL’s Report Browser” means a central repository of reports where Member(s) may access and/or download all the day end reports.

9. CCIL-TR

“CCIL-TR” means the Clearing Corporation Trade Repository notified by RBI as designated trade repository under the Payment and Settlement Systems Act, 2007.

10. CENTRAL COUNTERPARTY

“Central Counterparty” means an entity that interposes itself between counterparties to contracts traded in one or more financial markets, becoming the buyer to every seller and the seller to every buyer and thereby ensuring the performance of open contracts.

11. CLEARING CORPORATION OR CCIL

“Clearing Corporation” or “CCIL” means The Clearing Corporation of India Ltd. as registered under the Companies Act, 1956 and validly existing under the Companies Act, 2013 (as amended from time to time).

12. CLOSE-OUT NETTING

“Close-Out Netting” means a process involving termination of obligations under a Qualified Financial Contract with a party in default and subsequent combining of positive and negative replacement values into a single net payable or receivable in accordance with the Netting Act.

13. COLLATERALISE TO MARKET

“Collateralise to Market” means an approach to the exchange of Variation Margin wherein the exchanged margin is characterised as collateral to secure the current mark-to-market exposure.

14. CONSOLIDATED GROUP

“Consolidated Group” means a group within the meaning of Indian Accounting Standard (Ind AS) 110 - Consolidated Financial Statements, or International Financial Reporting Standards (IFRS) 10 - Consolidated Financial Statements or any other equivalent accounting standards.

15. COUNTERPARTY

“Counterparty” means the other party with whom a Member has entered into a Trade.

16. COVERED ENTITIES

“Covered Entities” means such entities who are required to exchange Initial Margin and Variation Margin based on the criteria specified under the Governing Directions, as amended from time to time.

17. CREDIT DERIVATIVE

“Credit Derivative” means a derivative contract whose value is derived from the credit risk of an underlying debt instrument, as specifically governed by Master Direction - Reserve Bank of India (Credit Derivatives) Directions, 2022 as amended from time to time.

18. CREDIT SUPPORT ANNEX OR CSA

“Credit Support Annex” or “CSA” means the contract between a Member and its Counterparty that provides for the terms of exchange of Margins.

(The CSA is developed by the International Swaps and Derivatives Association (ISDA), executed for exchange of Variation Margin (VM-CSA) and Initial Margin (IM-CSA)) between the parties to a derivative contract.

19. CSGL ACCOUNT

“CSGL Account” means Constituent Subsidiary General Ledger Account opened and maintained by Clearing Corporation with Public Debt Office, RBI under the Government Securities Act, 2006, as amended from time to time and the relevant notifications issued thereunder.

20. CURRENT ACCOUNT

“Current Account” means current account(s) opened and maintained by Members and/or Clearing Corporation with the Deposit Accounts Department of RBI.

21. CUT-OFF TIME

“Cut-Off Time” means with respect to various activities the deadline prescribed by Clearing Corporation.

22. DERIVATIVE

“Derivative” shall have the same meaning as assigned to it in Section 45U(a) of the RBI Act.

23. EARMARKED TRADE

“Earmarked Trade” shall mean the Trades identified by the Member which shall be earmarked for the Margin calculations and exchange of Margin.

24. ELIGIBLE COLLATERAL / COLLATERAL

“Eligible Collateral” / “Collateral” means the collateral eligible to be provided by the Members for exchange of Variation Margin and/or Initial Margin in accordance with the Governing Directions and as notified by Clearing Corporation under these CCIL-SARVAM Rules.

25. ELIGIBLE TRADES

“Eligible Trades” means the following Trades for which the Modules shall facilitate access to SARVAM:

- (i) Foreign Exchange Derivatives;
- (ii) Interest Rate Derivatives;

- (iii) Credit Derivatives; and
- (iv) Any other OTC derivative in nature of NCCDs as may be notified by Clearing Corporation of India Ltd. from time to time.

26. END OF THE DAY

“End of the Day” means the time notified by Clearing Corporation in Indian Standard Time on a Business Day for calculating the Margin.

27. EVENT OF DEFAULT OR DEFAULT

“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.

28. FEMA

“FEMA” means Foreign Exchange Management Act, 1999 (42 of 1999), as amended from time to time.

29. FINANCIAL SECTOR REGULATOR

“Financial Sector Regulator” refers to the Reserve Bank of India (RBI), the Securities and Exchange Board of India (SEBI), the Insurance Regulatory and Development Authority of India (IRDAI) and the Pension Fund Regulatory and Development Authority (PFRDA).

30. FOREIGN EXCHANGE DERIVATIVE

“Foreign Exchange Derivative” means a financial contract which derives its value from the change in the exchange rate of two currencies at least one of which is not Indian Rupee or which derives its value from the change in the interest rate of a foreign currency and which is for settlement at a future date, i.e. any date later than the spot settlement date, provided that contracts involving currencies of Nepal and Bhutan shall not qualify under this definition and whose terms are governed by the Foreign Exchange Management (Foreign Exchange Derivative Contracts) Regulations, 2000 and Master Direction - Risk Management and Inter-Bank Dealings dated July 05, 2016, as amended from time to time.

31. GILT ACCOUNTS

“GILT Account” means an account for holding Government Securities opened and maintained by an entity or a person with an entity permitted by RBI to operate CSGL Account with the Public Debt Office of RBI.

32. GOVERNING DIRECTIONS

“Governing Directions” for the purpose of these CCIL-SARVAM Rules shall mean and include

the following directions (as may be amended or replaced from time to time) relating to margining for NCCDs:

- (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; and
- (ix) such other directions as may be issued by RBI in relation to margining for OTC derivative transactions.

33. GOVERNMENT SECURITIES OR G-SECS

“Government Securities” or “G-Secs” shall have the same meaning as defined under the Government Securities Act, 2006 (38 of 2006).

34. HAIRCUT

“Haircut” refers to the difference between the market value of securities and its collateral value.

35. INITIAL MARGIN OR IM

“Initial Margin” or “IM” means the collateral that is collected to cover the potential future exposure that could arise from future changes in the market value of a derivative contract during the time it takes to close out and/or replace the position in the event of a counterparty default.

36. INSOLVENT PARTY

“Insolvent Party” means the party to a Qualified Financial Contract in relation to which insolvency, winding up, liquidation, resolution, administration or similar proceedings have been instituted under any law for the time being in force in India or under the laws of any other country, including country of its incorporation.

37. INTEREST RATE DERIVATIVES

“Interest Rate Derivatives” is a financial derivative contract whose value is derived from one or more interest rates, prices of interest rate instruments, or interest rate indices and whose terms are governed by Rupee Interest Rate Derivatives (Reserve Bank) Directions, 2019, as amended from time to time.

38. ISDA

“ISDA” refers to International Swaps and Derivatives Association, Inc.

39. ISDA MASTER AGREEMENT

“ISDA Master Agreement” is an internationally agreed document published by ISDA which is used to provide certain legal and credit protection for parties who enter into OTC derivatives transactions.

40. ISDA STANDARD INITIAL MARGIN MODEL or ISDA SIMM

“ISDA Standard Initial Margin Model” or “ISDA SIMM” means the standard initial margin model formulated by ISDA for calculation of Initial Margin for NCCDs, as updated from time to time.

41. LEGAL ENTITY IDENTIFIER

“Legal Entity Identifier” means a unique identity code assigned to a person or an entity by an issuer for the purpose of identifying that person or entity in such derivatives or financial transactions, as may be prescribed by RBI from time to time

42. LONG BOX ACCOUNT

“Long Box Account” is an account, where the collateral contributed by Member is demarcated/segregated and shall be held, either in the CSGL/Gilt Account or Current Account with Clearing Corporation, basis the nature of Collateral.

43. MANAGING DIRECTOR

“Managing Director” means the managing director of Clearing Corporation.

44. MARGIN

“Margin” means the amount, form and type of collateral required as a performance bond for the purchase, sale or carrying of a Qualified Financial Contract and includes Initial Margin and Variation Margin.

45. MARGIN CALL

“Margin Call(s)” means the demand made by Clearing Corporation on a Member towards

fulfillment of its obligation under these CCIL-SARVAM Rules.

46. MARGIN SHORTFALL

“Margin Shortfall” is the deficiency in the margin amount which the Member is required to furnish to Clearing Corporation towards its bilateral margin obligations in accordance with these CCIL-SARVAM Rules.

47. MARGINING AND COLLATERAL MANAGEMENT MODULE OR MCM MODULE

“Margining and Collateral Management Module” or “MCM Module” means the functionalities/services provided to the Members as part of SARVAM and more particularly specified in CHAPTER IV: SERVICES and CHAPTER VII: MARGINING AND COLLATERAL MANAGEMENT of these CCIL-SARVAM Rules.

48. MATCHING

“Matching” refers to the process of ensuring that the primary economic terms reported by the parties to a contract are identical.

49. MEMBER

“Member” is an entity admitted as such by Clearing Corporation under these CCIL-SARVAM Rules.

50. MEMBERSHIP APPLICATION FORM

“Membership Application Form” means the form, in the format prescribed by Clearing Corporation, which is to be submitted by entities desirous of availing SARVAM services in accordance with CHAPTER V: MEMBERSHIP of these CCIL-SARVAM Rules.

51. MODULE

“Module” refers to the various services provided by Clearing Corporation under SARVAM, as notified from time to time and includes Valuation Module, MCM Module and Risk Analytics Module.

52. NETTING

“Netting” means determination of net claim or obligations after setting off or adjusting all the claims or obligations based or arising from mutual dealings between the parties to Qualified Financial Contracts and includes Close-Out Netting.

53. NETTING ACT

“Netting Act” means the Bilateral Netting of Qualified Financial Contracts Act, 2020 (30 of 2020), as amended from time to time.

54. NETTING AGREEMENT

“Netting Agreement” means an agreement as defined under the Netting Act, as amended from time to time.

55. NON-CENTRALLY CLEARED DERIVATIVES OR NCCDS

“Non-Centrally Cleared Derivatives” or “NCCDs” mean derivative contracts which is not settled through a Central Counterparty.

56. NON-INSOLVENT PARTY

“Non-Insolvent Party” means the party to a Qualified Financial Contract that is not the Insolvent Party.

57. NON-RESIDENT

“Non-Resident” means and includes a ‘person resident outside India’ as defined in Section 2(w) of the FEMA.

58. NOTIFICATION, NOTICE OR COMMUNICATION

The words “Notification”, “Notice” or “Communication” mean any intimation that may be served on a Member at its business address and/or its last known address in any one or more or all of the following ways:

- (i) delivering it by post;
- (ii) sending it by registered post;
- (iii) sending it under certificate of posting;
- (iv) sending it by express delivery post / courier services;
- (v) affixing it on the door at the last known business and/or last known address;
- (vi) oral communication;
- (vii) advertising it atleast once in any prominent daily newspaper;
- (viii) notification on Clearing Corporation’s website;
- (ix) posting a message through Clearing Corporation’s member report server;
- (x) an electronic mail or fax or any other electronic network;
- (xi) any other accepted mode of communication as notified by Clearing Corporation.

Any communication sent by Clearing Corporation to the Members shall be deemed to have

been properly delivered or served, if the same is sent to the ordinary business address and/or ordinary place of residence and/ or last known address of the Member in any one or more of the ways mentioned above.

59. OVER-THE-COUNTER (OTC) DERIVATIVE

“Over-The-Counter (OTC) Derivative” means a derivative (deliverable and non-deliverable) other than those which are traded on exchanges and shall include those traded on electronic trading platforms (ETPs).

60. PANEL FOR RESOLUTION OF DISPUTES OR PRD

“Panel for Resolution of Disputes” or “PRD” shall have the same meaning assigned to it in Rule 1(ii) of CHAPTER XI: DISPUTE RESOLUTION of these CCIL-SARVAM Rules.

61. PORTFOLIO

“Portfolio” in relation to Trades means a bundle of all Trades of similar nature and includes portfolio of ‘Credit Derivatives’ or ‘Foreign Exchange Derivatives’ or ‘Interest Rate Derivatives’, etc., as the case may be.

62. PORTFOLIO COMPRESSION

“Portfolio Compression” is a way to (i) reduce the number of outstanding contracts (and therefore gross notional amounts) in OTC derivative portfolios without significantly altering the risk profiles of the portfolios of individual participants and (ii) involves identification of economically redundant trades for early full or partial termination subject to the parameters defined by the individual participants of the exercise.

63. QUALIFIED FINANCIAL CONTRACT OR QFC

“Qualified Financial Contract” or “QFC” shall have the same meaning as assigned to it in the Netting Act.

64. QUALIFIED FINANCIAL MARKET PARTICIPANT

“Qualified Financial Market Participant” shall have the same meaning as assigned to it in the Netting Act.

65. RBI ACT

“RBI Act” refers to Reserve Bank of India Act, 1934, as amended from time to time.

66. RELATED PARTIES

“Related Parties” shall have the same meaning as assigned to it under Indian Accounting Standard (Ind AS) 24 - Related Party Disclosures or International Accounting Standard (IAS)

24 - Related Party Disclosures or any other equivalent accounting standards.

67. RESIDENT

“Resident” means and includes a ‘person resident in India’ as defined in Section 2(v) of the FEMA.

68. RESIGNATION REQUEST DATE

“Resignation Request Date” shall have the meaning assigned to it under Rule 5.1 (ii) of CHAPTER V: MEMBERSHIP of these CCIL-SARVAM Rules.

69. RISK ANALYTICS MODULE

“Risk Analytics Module” means the functionalities/services provided to the Members to analyse the risk of their Portfolio, based on risk factors, as part of SARVAM and more particularly specified in CHAPTER IV: SERVICES of these CCIL-SARVAM Rules.

70. SARVAM ID

“SARVAM ID” refers to the unique identification code allotted to each Member of Clearing Corporation under these CCIL-SARVAM Rules to establish the identity and includes membership ID wherever referred herein.

71. SECURITIES

“Securities” means G-Secs and any other securities notified by Clearing Corporation in accordance with the Governing Directions.

72. SERVICE FOR ANALYSIS OF RISK, VALUATION AND MARGINING OR SARVAM

“Service for Analysis of Risk, Valuation and Margining” or “SARVAM” is a solution/service provided by Clearing Corporation which provides valuation services; calculation of the margin requirements including Initial Margin and Variation Margin; and collateral management and risk analytics for NCCDs as per the guidelines and the Governing Directions issued by RBI and more particularly specified in these CCIL-SARVAM Rules.

73. SETTLE TO MARKET

“Settle to Market” means an approach to the exchange of Variation Margin wherein the exchanged margin is deemed to settle the current mark-to-market exposure between the parties to a derivative contract, with no right to reclaim and no obligation to return the Variation Margin. After the settlement, the mark-to-market exposure between the parties is reset to zero.

74. SGL ACCOUNT

“SGL Account” means Subsidiary General Ledger Account(s) opened and maintained by

Members and/or Clearing Corporation with the Public Debt Office of RBI, under the Government Securities Act, 2006, as amended from time to time.

75. SHUT PERIOD

“Shut Period” refers to the period during which no transactions are permitted to facilitate corporate actions such as payment of periodical interest, redemptions etc.

76. STANDARDISED APPROACH MODEL

“Standardised Approach Model” means the Initial Margin model, based on the standardized risk factors prescribed by RBI to calculate Initial Margin under the Governing Directions.

77. STANDARDISED COMMON RISK INTERCHANGE FILE FORMAT

“Standardised Common Risk Interchange File Format” shall mean the standard template used to report risk and/or sensitivity data.

78. STANDARD MARKET DATA SOURCE

“Standard Market Data Source” means the data source available to provide market data as relevant to SARVAM.

79. TRADE/ TRANSACTION/ DEAL

“Trade/Transaction/ Deal” means such OTC derivatives products which Members are permitted to trade, in accordance with Applicable Laws.

80. TRADE REPOSITORY OR TR

“Trade Repository” or “TR” means a person who is engaged in the business of collecting, collating, storing, maintaining, processing or disseminating electronic records or data relating to such derivatives or financial transactions, as may be specified by RBI from time to time.

81. USER(S)

“User(s)” shall have the same meaning assigned to it in Rule 1(i) of CHAPTER VI: TRADE REPORTING AND PROCESSING of these CCIL-SARVAM Rules.

82. USER INTERFACE (UI)

“User Interface” or “UI” is the point of human-computer interaction and communication in a device.

83. VALUATION

“Valuation” for a QFC means the fair value arrived at, based on the current market rates basis the Valuation Module.

84. VALUATION MODULE

“Valuation Module” means the functionalities/services provided to the Members as part of SARVAM and more particularly specified in CHAPTER IV: SERVICES of these CCIL-SARVAM Rules.

85. VARIATION MARGIN OR VM

“Variation Margin” or “VM” means the collateral that is collected or paid to reflect the current mark-to-market exposure resulting from changes in the market value of a derivative contract.

The terms defined above shall mean the same when used in lower case in these CCIL-SARVAM Rules, unless the context indicates otherwise. The terms not defined in these CCIL-SARVAM Rules would have the same meaning if defined under RBI Act (including the Governing Directions) or The Netting Act or regulations, notifications, circular etc. thereunder issued, amended or as may be replaced from time to time.

CHAPTER III: THE BOARD AND ITS POWERS

1. The Board is empowered to organize, maintain, control, manage and facilitate the operations relating to SARVAM.
2. The Board is empowered to make rules or regulations from time to time, for all or any matters relating to SARVAM, in accordance with the extant guidelines/directions issued by RBI from time to time and perform all such acts and things as are necessary for the purpose of smooth and efficient functioning of SARVAM.
3. The Board is empowered to delegate, from time to time, to the Approving Authority or to the executive committee(s) or any other committee(s), such of the powers vested in it and on such terms as it may think fit, to manage all or any of the affairs of Clearing Corporation relating to SARVAM and from time to time, to revoke, withdraw, alter or vary all or any of such powers.
4. The Board or Approving Authority, to whom powers have been delegated by the Board, is empowered to add, vary, amend, repeal all and/or any of the CCIL-SARVAM Rules or make any other rules or regulations relating to SARVAM and such addition, variation, amendment, repeal of the CCIL-SARVAM Rules or any other rules or regulations shall, upon Notification to the Member(s), be deemed to have been accepted by the Member(s).
5. The Board or any committee of the Board, to whom powers have been delegated by the Board, is empowered to add, vary, amend, repeal all and/or any of these CCIL-SARVAM Rules and such addition, variation, amendment, repeal of these CCIL-SARVAM Rules shall, upon Notification to Members, be deemed to have been accepted by the Members.

CHAPTER IV: SERVICES

Clearing Corporation shall enable the following Modules for Eligible Trades under SARVAM:

1. Valuation Module
2. Margining and Collateral Management Module
3. Risk Analytics Module

1. VALUATION MODULE

The Valuation Module enables Members with the functionalities/services which includes access to the system that enables 'Valuation' for OTC Derivative Trades.

2. MARGINING AND COLLATERAL MANAGEMENT MODULE / MCM MODULE

The Margining and Collateral Management Module enables Member(s) with the following functionalities/services:

a) Initial Margin and Collateral Management

This service will enable computation and Collateral management in respect of Initial Margin

b) Variation Margin and Collateral Management

This service will enable computation and Collateral management in respect of Variation Margin.

2.1. Initial Margin Services

- (i) Counterparty wise computation of Initial Margin of the Member(s)' Portfolio.
- (ii) Enables workflow towards initiation of Margin Calls for Initial Margin based on the terms of the CSA between the Counterparty(ies), as captured in SARVAM.
- (iii) Initial Margin computations based on Standard Approach Model or ISDA Standard Initial Margin Model.
- (iv) Standardised Common Risk Interchange File Format (CRIF) - Export and Import System based platform enabling the Counterparty's reconciliation of differences.
- (v) Facility to enable segregation and safekeeping of Initial Margin including Cash and/or Securities.
- (vi) Valuation of Initial Margin held as Securities.

- (vii) Handling of corporate action(s) of Securities held as Initial Margin, including but not limited to redemption of interest/ coupon, in accordance with CHAPTER VII: MARGINING AND COLLATERAL MANAGEMENT of these CCIL-SARVAM Rules.

2.2. Variation Margin Services

- (i) Counterparty wise computation of Variation Margin of the Member(s)' portfolio.
- (ii) Enables workflow towards initiation of Margin Calls for Variation Margin based on the terms of the CSA entered between the Member and its Counterparty(ies) as captured in SARVAM.
- (iii) Platform enabling reconciliation of differences in relation to Variation Margin *vis-à-vis* its Counterparties.
- (iv) Facility enabling transfers of Variation Margin in form of Collateral to the Counterparties.

3. RISK ANALYTICS MODULE

The Risk Analytics Module enables Members with the following functionalities/services in accordance with the procedure notified by the Clearing Corporation:

- (i) Analytics Infrastructure.
- (ii) Scenario-based risk views.
- (iii) Drill-down on Scenario, Profit and Loss Results and Risk Factors.
- (iv) Profit & Loss.
- (v) Greeks and Sensitivities.
- (vi) Customizable reports/views.

CHAPTER V: MEMBERSHIP

1. MEMBERSHIP

1.1. Eligibility Criteria

Entities seeking membership to SARVAM shall:

- (i) be eligible to undertake Trades in OTC derivatives, in accordance with the Governing Directions, as amended from time to time.
- (ii) have appropriate processes to manage the risks associated with such transactions.
- (iii) not have any pending order of disqualification by any statutory/regulatory authority or an order of similar effect.

1.2. Additional criteria for Margining and Collateral Management Module

Entities eligible under Rule 1.1 of this Chapter shall also fulfill the following requirements:

- (i) Entities shall have a Current Account with Reserve Bank of India/bank and /or have a SGL/CSGL/Gilt Account with RBI/Clearing Corporation/bank. Provided however that, Clearing Corporation may relax the requirement of the maintenance of Current Account and/or SGL Accounts in respect of the Members.

2. APPLICATION FOR MEMBERSHIP

- (i) Entities desirous of availing the services mentioned in the CHAPTER IV: SERVICES of these CCIL-SARVAM Rules, shall seek membership to Clearing Corporation's SARVAM by submitting a Membership Application Form post approval of its board of directors/ appropriate authority delegated by its board of directors / governing authority.
- (ii) The Membership Application Form along with charges/fees and/or other documentation, if any, as may be notified by Clearing Corporation in this respect, shall be duly signed by the authorized signatories of the entity. A copy of the requisite authority document shall be provided, on demand to Clearing Corporation.
- (iii) The entity seeking membership shall provide official email-ids or email address(es) of authorized officials which can be relied upon for official communication or conveyance of business-related information. Clearing Corporation shall not be responsible for any consequences arising due to delayed or undelivered communication provided by the entity seeking membership.

- (iv) Every entity seeking membership shall provide information that is correct, true and complete in all respects. If any information and/or statement is found to be intentionally presented as false, incorrect, or if there is a breach of undertaking, or condition of admission to membership, Clearing Corporation may take action, as deemed appropriate, against the entity.
- (v) The eligible entity shall complete all documentation including any Know-Your-Customer (KYC) formalities under Applicable Laws, as may be prescribed for membership by Clearing Corporation.

3. SARVAM ID

- (i) Each successful applicant admitted as a Member to Clearing Corporation's SARVAM shall be assigned a unique SARVAM ID which shall be incorporated by the entity in all services related to SARVAM.
- (ii) The list of Members enrolled in SARVAM shall be made available on the Clearing Corporation's website and shall be updated from time to time.

4. TERMS AND CONDITIONS OF MEMBERSHIP:

- (i) Member(s) shall ensure that all regulatory requirements are being duly complied with.
- (ii) Any winding up proceedings or any other form of corporate restructuring including but not limited to merger, amalgamation or absorption with another company or any other such event shall be promptly communicated to Clearing Corporation in writing.
- (iii) Member(s) shall ensure that adequate internal control and systems are put in place to ensure that data integrity and confidentiality are maintained and other related aspects are duly complied with.
- (iv) Clearing Corporation shall have the right to use or retain the information received from the Members for providing data to RBI or any other authority, in accordance with Applicable Laws.
- (v) No Member shall be entitled to agitate or take any dispute to any forum except as provided in CHAPTER XI: DISPUTE RESOLUTION of the CCIL-SARVAM Rules.

5. EXIT FROM SARVAM SERVICES

5.1. Discontinuation of Valuation Module and Risk Analytics Module

A Member:

- (i) who has only availed the Valuation Module or Risk Analytics Module as the case maybe, may exit by giving 2 (two) Business Days of notice in writing to the Clearing Corporation clearly indicating its decision to discontinue its membership to SARVAM.
- (ii) The notice shall be effective on the Resignation Request Date, which for the purpose of the Valuation Module and Risk Analytics Module shall be the date on which such written notice is received by Clearing Corporation when delivered by such Member in person or by courier, or by a registered mail (with a return receipt requested) (“**Resignation Request Date**”).
- (iii) Such request for discontinuation shall be approved by the Managing Director or Approving Authority or by an official so authorized by the Managing Director or Approving Authority and the resignation shall come into effect from such date of approval (“**Resignation Approval Date**”).

5.2. Discontinuation of Margining and Collateral Management Module

- (i) A Member who has availed the Margining and Collateral Management Module may exit by giving 2 (two) Business Days of notice in writing to the Clearing Corporation clearly indicating its decision to discontinue from the Margining and Collateral Management Module of SARVAM. The notice shall be effective on the Resignation Request Date.
- (ii) Such request for discontinuation shall be approved by the Managing Director or Approving Authority or by an official so authorized by the Managing Director or Approving Authority and the resignation shall come into effect from Resignation Approval Date.
- (iii) A Member resigning under Rule 5.2 (i) of this Chapter above shall satisfy either of the following conditions:
 - (a) Close all its outstanding Trades for which Margins have been exchanged with its Counterparties, or
 - (b) All bilateral Counterparties of the Member shall have agreed to settle their respective Margin(s) with the said Member, outside SARVAM.
- (iv) Clearing Corporation shall promptly notify other Members of this Module about the discontinuation of the MCM Module service by the aforementioned Member.
- (v) Member’s request for discontinuation shall be rejected if Trades for which Member’s Collateral has been posted, are outstanding in favour of any of its Counterparty.

Similarly, no Counterparty's Collateral posted shall be outstanding in favour of such resigning Member.

5.3. Cessation of Membership

A Member shall cease to be a Member of SARVAM by its:

- (i) expulsion in accordance with the provisions contained in these CCIL-SARVAM Rules after a 14 (fourteen) days' notice in writing to the Member and under advise from RBI;
- (ii) voluntary or compulsory winding up of the Member;
- (iii) failing to adhere to any of the membership conditions/criteria to which it has been admitted as a Member after a reasonable notice in writing to the Member and under advise from RBI.

CHAPTER VI: TRADE REPORTING AND PROCESSING**1. RIGHTS AND RESPONSIBILITIES OF MEMBERS**

- (i) The Member(s) desirous of obtaining access to a specific Module and the services therein shall provide the details of the user specified by the Member who will access the SARVAM on behalf of the Member (“User”) and Trade data as may be specified by Clearing Corporation from time to time.
- (ii) Access rights to SARVAM shall be enabled for such User(s) specified by the Member(s) for the respective Modules. Clearing Corporation reserves the right to restrict the number of Users as may be opted by a Member.
- (iii) The reporting channels, connectivity mode, technical specifications thereof, and terms for reporting Trades shall be notified by Clearing Corporation from time to time.
- (iv) The Member(s) shall be governed by the procedures stipulated by Clearing Corporation for submitting the Trades to Clearing Corporation.
- (v) Members of SARVAM, who are also Members of CCIL-TR services, may request the integration of Trade data as provided to CCIL-TR. Such request for integration shall be forwarded to CCIL-TR.
- (vi) Where an approval from CCIL-TR is received for such integration referred in (v) above, only such Trades having a matched status in CCIL-TR, shall be considered for further processing in SARVAM.
- (vii) Members (who are not members of CCIL-TR) may report the Trades directly to SARVAM platform in any of the following modes:
 - (a) Front end screen based UI.
 - (b) Bulk upload through Excel/CSV.
 - (c) Any other reporting channel as may be notified by Clearing Corporation.
- (viii) Trades within the Cut-Off Time as notified by Clearing Corporation shall be considered for Valuation/margining on the same day.
- (ix) Trades reported beyond the Cut-Off Time shall be considered on the next Business Day.
- (x) Clearing Corporation reserves the right to make changes to the data structure with due notice to Member(s).

- (xi) Members shall be responsible to identify counterparties to their Trades which would be taken up for the Margin calculations and exchange/holding of Collateral.
- (xii) CSA capture functionality would be provided to the Members for capturing IM CSA and VM CSA, either through front end or bulk upload. As a one-time measure, Clearing Corporation may also facilitate bulk upload of CSAs.
- (xiii) Post CSA capture, the Members would be provided with details of the CSA captured in the system. Members shall be responsible for the correctness of the CSA details uploaded by Clearing Corporation on behalf of the Members. Clearing Corporation shall not be held responsible and liable for any mismatch in CSA terms captured in SARVAM.

2. RESTRICTIONS ON MEMBERS

- (i) A Member and/or any of its employees shall not have any right, title or interest in respect of SARVAM, its facilities, software and the information provided by Clearing Corporation.
- (ii) A Member and/or any of its Users shall not be permitted to:
 - (a) download market data from the Module of SARVAM;
 - (b) use the software/services provided by Clearing Corporation for any purpose other than those specified and approved by Clearing Corporation;
 - (c) use the software/services provided by Clearing Corporation on any equipment other than that installed/accessed in its official premises from where its operations are conducted;
 - (d) copy, alter, modify or make available to any other entity or person, the software provided by Clearing Corporation;
 - (e) use the software in any manner other than as specified by Clearing Corporation.
- (iii) The intellectual property rights of such software and related intellectual property shall be with Clearing Corporation and any unauthorized use of the same shall be treated as infringement and shall invite appropriate legal action.
- (iv) A Member and/or any of its Users shall not publish, supply, show or make available to any other person/entity the facilities of the Clearing Corporation's SARVAM or the information provided by it except with the explicit approval of Clearing Corporation.

3. REPORTS

SERVICE FOR ANALYSIS OF RISK, VALUATION AND MARGINING RULES

- (i) Details of the Valuation, Margin, Collateral and risk analytics shall be provided to Member(s) in the form of reports.
- (ii) Clearing Corporation shall notify the types and frequency of reports that may be made available to Members.
- (iii) Clearing Corporation shall, at its discretion, decide the mode and manner of delivery/ receipt of reports to/from its Members.
- (iv) Clearing Corporation shall have the discretion to make changes in the report formats as and when it may consider necessary from time to time.
- (v) Access to the reports shall be provided only to the authorised officials of the Member(s).
- (vi) Members shall indemnify Clearing Corporation and its officials against any form of losses, damages, penalties, liabilities and/or consequences arising out of the unauthorised access to the Clearing Corporation's Report Browser by any of its officials or misuse of their IDs / passwords by any other person.
- (vii) Members shall check the information in the reports made available through the CCIL's Report Browser on a daily basis. Members shall take corrective action to rectify any discrepancies.
- (viii) Any discrepancies shall be reported to Clearing Corporation as soon as possible and in any event, not later than the time notified by the Clearing Corporation. If no such discrepancy is reported within the specified time, the reports provided by the Clearing Corporation shall be deemed to be correct.

CHAPTER VII: MARGINING AND COLLATERAL MANAGEMENT**1. MARGINING**

- (i) Based on the Trades directly reported or received from CCIL-TR at a Cut-Off Time as notified by Clearing Corporation and the bilateral CSA captured in the SARVAM system, in accordance with CHAPTER VI: TRADE REPORTING AND PROCESSING of these CCIL-SARVAM Rules, Clearing Corporation shall offer undernoted services under the MCM Module:
 - (a) Calculation of Trade wise valuation
 - (b) Calculation of Counterparty wise VM
 - (c) Calculation of Counterparty wise IM
- (ii) It shall be the responsibility of the Members to declare their Counterparties who would be the Covered Entities for the purposes of the MCM Module. For operational ease, Clearing Corporation may facilitate recording of such declarations at a centralised database and publish a list of Covered Entities on Clearing Corporation's website for operational ease to all the Members.

1.1. Margining Services for Variation Margin:

The purpose of VM exchange is to fully Settle to Market/ Collateralize to Market, the mark-to-market exposure of an NCCD contract.

Clearing Corporation shall calculate VM:

- (i) On a daily basis.
- (ii) On an aggregate net basis, across all NCCD contracts that are executed under a single, legally enforceable Netting Agreement.
- (iii) Variation Margin shall be calculated on the portfolio of Trades reported till a cut off time and the report of such Counterparty wise margin shall be made available on the next Business Day (T+1 day, where T is the current Business Day) by the time notified by the Clearing Corporation.
- (iv) Margins thereof shall be exchanged at T+1 or T+2 day, basis the terms of the CSA.
- (v) Threshold amount and minimum transfer amount can be agreed upon between both the counterparties and defined in the CSA.
- (vi) Member(s) shall post Collaterals to the account(s) specified by Clearing Corporation. In the event, Member has posted adequate Collateral to meet its obligations,

Counterparty wise transfers shall be effected in accordance with the process notified by Clearing Corporation from time to time.

1.2. Margining Services for Initial Margin

- (i) Clearing Corporation shall offer two methods to compute IM:
 - (a) Standardised Approach Model
 - (b) ISDA Standard Initial Margin Model
- (ii) Members shall have flexibility to choose between the methods for computation of IM offered by Clearing Corporation. They may choose Standardised Approach Model or ISDA SIMM for calculating the Initial Margin for all transactions within the same asset class. However, its Counterparty shall also choose the same combination of the method for IM calculations. Based on the model selected, SARVAM will arrive at the IM computations.
- (iii) The IM shall be calculated on a daily basis.
- (iv) The IM shall be exchanged/ posted on a gross basis without any netting of Initial Margin amounts owed by the two counterparties, across all NCCD contracts that are executed under a single, legally enforceable Netting Agreement.
- (v) Initial Margin shall be calculated on the Portfolio of Trades reported till a Cut-Off Time and the report of such Counterparty wise margin shall be made available on the next Business Day (T+1 day, where T is the transaction reported day) at by the time notified by the Clearing Corporation.
- (vi) IM shall be posted with the Clearing Corporation as collateral service provider at T+1 or T+2 day, according to the terms of the CSA as captured in SARVAM.
- (vii) Threshold amount and minimum transfer amount can be agreed upon between both the counterparties and defined in the CSA subject to compliance with the Governing Direction.
- (viii) Member(s) shall post Collaterals to the account(s) specified by Clearing Corporation. In the event, Member has posted adequate Collateral to meet its obligations, Counterparty wise transfers shall be effected in accordance with the process notified by Clearing Corporation from time to time.

1.3. CSA Management

- (i) Even after becoming Member of SARVAM, the terms and conditions of the exchange of Collateral as mentioned in CSA entered between the Member and its Counterparty

will remain unchanged including the type of Collateral accepted by both the Counterparties.

- (ii) Members joining SARVAM shall have authorized Clearing Corporation to act as their valuation agent under these CCIL-SARVAM Rules, for VM and/or IM calculations, as applicable, for the services availed by such Member.
- (iii) Members would be required to capture VM CSA and /or IM CSA (as applicable) with Clearing Corporation in terms of CHAPTER VI: TRADE REPORTING AND PROCESSING of these CCIL-SARVAM Rules.

1.4. Market Data for Margining Services

- (i) Clearing Corporation shall source market data required for Valuation from Standard Market Data Source for all the product classes at the time as notified by Clearing Corporation. Mid rates for all such data shall be used for Valuation and sensitivity calculations.
- (ii) In the event that market data for any product is not available for that day, Clearing Corporation shall follow the waterfall method for selecting the market data as notified by Clearing Corporation.
- (iii) Clearing Corporation may source real time data for Valuation, margining, scenario/ what if analysis, risk and analytic purposes.
- (iv) Clearing Corporation shall endeavour to build functionalities to value/calculate sensitivities for new products/trades as soon as possible after it receives such information. However, until such capabilities have not been developed and deployed, Members may compute margin on bilateral basis for such new products/trades and advise Clearing Corporation for inclusion of such trades to the already existing Portfolio for margin computation.

2. COLLATERAL MANAGEMENT

The Collateral Management is offered incidental to the Margining under the MCM Module and is undertaken in accordance with Chapter VIII titled as Safekeeping, Segregation and Transfers of these CCIL-SARVAM Rules.

2.1 Purpose

- (i) Clearing Corporation shall provide Collateral Management incidental to the Margining under the MCM Module to Members.

- (ii) Collaterals shall be managed (i.e. collected, retained or transferred) from the respective Members towards margin requirements for their Trades. For this, Members shall have authorised Clearing Corporation for Collateral management by way of an irrevocable power of attorney or such other manner as may be prescribed and notified by Clearing Corporation. Collateral contributions by the Member shall mean the Margin made available by such Member in accordance with the Trades submitted to SARVAM under the provisions of CHAPTER VI: TRADE REPORTING AND PROCESSING of these CCIL-SARVAM Rules.
- (iii) Member(s) shall provide the Collateral (i.e. G-Secs) to the designated Gilt Account and Cash to designated Current Account as per the work flow notified by Clearing Corporation from time to time.
- (iv) Collateral posted as IM by the Member or its Counterparty shall be held in the Long Box Account as per the margin requirements and shall be kept segregated in accordance with Chapter VIII: SAFEKEEPING, SEGREGATION AND TRANSFERS of these CCIL-SARVAM Rules and in such manner as notified by Clearing Corporation from time to time.
- (v) Clearing Corporation shall take no account of any right or interest which any person other than the Member may have in the Collateral, to the extent the same is not assigned in favour of its Counterparty.

2.2 Composition of Collateral

- (i) Eligible Collateral contribution from the Members for purposes for these CCIL-SARVAM Rules shall be in the form of Cash and G-Secs. Clearing Corporation may modify/incorporate any other form of collateral as Eligible Collateral and notify it to the Members, from time to time.
- (ii) Every Member shall contribute to the Collateral as per their CSA requirements.
- (iii) A Member's Collateral contribution shall cover its margin obligations as described under these CCIL-SARVAM Rules.
- (iv) Member's margin contributions shall cover the margin obligations on all the Earmarked Trades for which Margins are required to be exchanged as declared by the Member at the time of joining the services or updated from time to time in SARVAM.
- (v) A Member shall ensure that its contribution of Collateral is adequate to cover Margin requirements on the outstanding Earmarked Trades as computed by Clearing Corporation on behalf of the Member as specified in these CCIL-SARVAM Rules or as computed by the Member, if bilaterally agreed upon between the Counterparties.

2.3 Payments and Receipts of Collateral in form of Cash

- (i) Members shall effect Collateral contributions in the form of Cash, as notified by Clearing Corporation from time to time in relation to their respective Margin obligations.
- (ii) Members shall arrange to post their Collateral contribution in form of Cash as per the workflow process notified by Clearing Corporation from time to time.
- (iii) Clearing Corporation shall not, in any manner, be responsible for any consequences that may arise on account of non-receipt of Collateral from Members towards their Cash collateral contributions.
- (iv) Members shall be entitled to receive credit for their Cash provided as Collateral contribution upon receipt of confirmation from RBI/bank of credits into the RTGS/Current Account of Clearing Corporation. Such credit shall be reckoned for the purpose of margin computation in respect of a Member when such credit intimations are recorded in the internal system of Clearing Corporation.

2.4 Receipts and Deliveries of Collateral in form of Securities

- (i) Members shall contribute Securities as Collateral in multiples of market lots as notified by Clearing Corporation from time to time in relation to their respective margin obligations. Members shall provide only such Securities as Collateral which are free from any encumbrances. Further, Collateral posted as Initial Margin, shall not be eligible for re-hypothecation, re-pledge or re-use or to be used as margin or guarantee for, or to secure any other transaction.
- (ii) Members shall arrange to directly provide or as applicable through their custodian provide their Collateral contributions as per the work flow process notified by Clearing Corporation from time to time.
- (iii) Members shall ensure that all relevant details as required by RBI to carry out such transactions in the respective SGL/CSGL/Gilt Accounts are furnished. Clearing Corporation shall not in any manner be responsible for any consequences that may arise on account of non-receipt of Collateral by it from such Member towards their Collateral contribution.
- (iv) Members shall be entitled to receive credit for posting of Securities in the Gilt Account with Clearing Corporation upon receipt of confirmation of credit to Clearing Corporation's CSGL Account from RBI. Such credit shall be reckoned for the purpose of margin computation in respect of a Member when such credit intimation are recorded by Clearing Corporation.

- (v) Members shall be entitled to substitute Securities posted as Collateral by giving prior notice, in the format prescribed for the purpose and as notified by Clearing Corporation from time to time, provided that the substituted Collateral shall meet all the requirements specified under Governing Directions and that the value of such substituted Collateral, after application of risk-sensitive haircuts, is sufficient to meet the margin requirements. Such notice of substitution shall be through two independent processes, one for posting of a Security and the other for withdrawal of a Security, as per the workflow process notified by Clearing Corporation from time to time, for posting and for withdrawal of securities.
- (vi) Provided that if such notice for substitution is received in respect of such securities as are falling into Shut Period for redemption of the security and rendering such substitution as impossible, then such notice shall be considered as invalid.
- (vii) If a substitution request is received for Securities posted as Collateral to fulfill Margin requirements, then it will be first checked whether substitution of Security is allowed as per CSA. If it is allowed, then the substitution request shall be processed subject to adequate surplus Collateral remaining in the account of the Member to the extent of the substitution request.

2.5 WITHDRAWAL OF COLLATERAL

- (i) Member shall be entitled to withdraw their Collateral contributions in excess of their obligations to cover their Margin requirements and/ or any other amount payable to Clearing Corporation, by giving prior advance notice, as notified by Clearing Corporation from time to time, in the format prescribed for this purpose.
- (ii) Member shall withdraw Collateral contributed by them, provided the same is not specifically blocked/ assigned towards its Margin obligations to a specific Counterparty and/or the same cannot be substituted by any other Collateral by respective Member.
- (iii) Withdrawal of Collateral by Member shall result in a corresponding reduction in its Collateral balances, as and when withdrawal request is approved by Clearing Corporation.
- (iv) The Members shall withdraw Securities provided as Collateral in marketable lots as notified by Clearing Corporation from time to time.

2.6 COLLATERAL MANAGEMENT *VIS-À-VIS* NON-MEMBERS OF SARVAM

The receipt/transfer of Collateral from/to a Counterparty who is not a Member of SARVAM, shall be processed in accordance with the terms/format as may be notified by Clearing Corporation from time to time.

2.7 CORPORATE ACTIONS ON SECURITIES CONTRIBUTED AS COLLATERAL

- (i) Periodical interest receivable by the Member on their G-Secs posted as Collateral shall be received by Clearing Corporation for and on behalf of the respective Member in the manner and mode prescribed by RBI in respect of CSGL Accounts.
- (ii) Interest received by Clearing Corporation shall be subsequently transferred to the respective Member (collateral contributor) at the earliest. Clearing Corporation shall not be responsible for any delay in receipt of interest by Members and no claim shall rest with Clearing Corporation on this account.
- (iii) Member shall monitor the Securities posted towards Collateral contributions to ensure that the Securities falling due for redemption are withdrawn well in advance before the redemption date and substituted by eligible Securities of equivalent value. In the event of their failing to do so, redemption proceeds receivable by the Members on such Securities shall be received by Clearing Corporation for and on behalf of the Member in the manner and mode prescribed by RBI in respect of CSGL Accounts.
- (iv) Redemption proceeds received by Clearing Corporation shall be treated as Cash Collateral contribution by such Member towards its Margin obligations.
- (v) Collateral statement of Securities holdings and Cash contributions shall be provided by Clearing Corporation to the respective Members.

3. PROCESS OF COLLATERAL MANAGEMENT

3.1 Collateral Management Process

- (i) To support the Margin requirements as per CSA terms, Clearing Corporation shall offer its Margining and Collateral Management services to its Member
- (ii) Members would be required to fulfill the documentation process as prescribed by Clearing Corporation.
- (iii) Clearing Corporation shall offer two separate services for IM and VM margining. Both the services shall be independent of each other. Clearing Corporation shall reserve right to offer either of above services and shall notify accordingly.

- (iv) Collateral received from Members shall be segregated and held in the Member's account. The account shall be termed as the 'Long Box Account' of the Member.
- (v) Based on the VM and IM amounts, Members are expected to keep sufficient Collaterals in their Long Box Account in the form as agreed upon in the CSAs on T+x day, where 'T' is the 'Trade day' and 'x' shall be notified by the Clearing Corporation.
- (vi) Clearing Corporation shall value Collaterals contributed by Member with applicable Haircuts periodically in terms of the process Notified by Clearing Corporation.
- (vii) Member(s) may override the Margin computation arrived at by SARVAM in the form and manner prescribed by the Clearing Corporation. In the event, a Member is exercising the override functionality and providing its own Margin values, such computation shall be considered by SARVAM only on receipt of approval from its' Counterparty, in the form and manner prescribed by the Clearing Corporation, within the Cut-Off Time.

3.2 IM Segregation Process

- (i) Clearing Corporation shall hold the Collateral posted by the Member in its capacity as collateral service provider based on the IM requirements as computed by Clearing Corporation as per these CCIL-SARVAM Rules or as agreed as per the terms of CSA between Member and its Counterparty.
- (ii) While posting the Collateral for Initial Margin, the Clearing Corporation shall compute Collateral requirement as per rounding off logic notified by Clearing Corporation. The process of posting of Collateral shall be carried out, at the Cut-Off Time and the Collateral posted shall be identified and held in the respective segregated Long Box Accounts. Upon notification of the Event of Default by the non-defaulting Member to the Clearing Corporation, the Collateral held by the Clearing Corporation in its capacity as collateral service provider shall be made available to the non-defaulting Member as per the process notified by Clearing Corporation from time to time and in accordance with procedure specified in CHAPTER VIII: SAFEKEEPING, SEGREGATION AND TRANSFERS.
- (iii) Initial Margin shall be held as Collateral to the extent of the agreed IM amounts on a gross basis. It will be calculated as per the process notified by Clearing Corporation from time to time.
- (iv) Initial Margin shall be held in accordance with these CCIL-SARVAM Rules by Clearing Corporation in favor of Counterparty based on such Member Counterparty's IM requirements as per agreed terms.

- (v) Upon Valuation of Collateral and Margin requirement as per process notified, any excess Collateral posted by Member with the Clearing Corporation in favour of its respective Counterparty, may be withdrawn and such withdrawal shall be reflected in the Member's Long Box Account.
- (vi) Member shall be responsible to ensure that adequate Collateral is made available with Clearing Corporation as per Member's Margin requirement. It shall also be Member's responsibility to ensure that the composition of Collateral held in its Long Box Account is as per terms of composition of Collateral agreed in the CSA between Members and its respective Counterparty.
- (vii) In the event of insufficient Collateral balances in the Member's Long Box Account to fulfill its IM Margin requirements, such events shall be treated as Margin Shortfall.
- (viii) In the event of Margin Shortfall in the Long Box Account of any one of the Counterparties in case of IM, intimation shall be sent to the Member having such Margin Shortfalls. It shall be the responsibility of the Members to post sufficient Collateral within the time notified by Clearing Corporation.
- (ix) In the event of Margin Shortfall, the Initial Margin required to be held by Clearing Corporation would not be met and intimation of such shortfall shall be made to the respective Member and the concerned Counterparty.
- (x) It shall be the responsibility of the concerned Member and its Counterparty to mutually resolve the IM Margin Shortfall and Clearing Corporation shall not be responsible for any consequences that may arise on account of such IM Margin Shortfall.
- (xi) In the event of a Margin Shortfall, Members may bilaterally decide to settle lesser amount than the amount calculated and reported by SARVAM. In such cases, it shall be the responsibility of Members to advise Clearing Corporation of such settlement before the Cut-Off Time notified by Clearing Corporation. On advice and confirmation by both the Counterparties, Clearing Corporation shall hold the IM in favour of Counterparties to the extent of amount as advised by the Counterparties.
- (xii) Reports containing details of Counterparty wise segregation of IM along with Counterparty's IM details created in favour of Member shall be provided to the Member in format specified by Clearing Corporation.

3.3 VM Transfer Process

- (i) For the purpose of VM Margin management, on receipt of adequate Collaterals in Member's Long Box Account, the amount which is payable by the Member shall be

transferred to the Current Account of Members' Counterparties in case of Cash and in the SGL/CSGL/Gilt account of its Members' Counterparties in case of Securities.

- (ii) As SARVAM will transfer the required Collaterals to the Member's Counterparty accounts, further interest or corporate action servicing shall be the responsibility of the Members and their bilateral Counterparties.
- (iii) Member shall be responsible to ensure that adequate Collateral is made available with the Clearing Corporation as per Member margin requirement. It shall also be Member's responsibility to ensure that the composition of Collateral held in its Long Box Account is as per terms of composition of Collateral agreed in the CSA between Members and its Counterparty(ies).
- (iv) In the event, the Collateral transfer request of a Member to its Counterparty (ies) cannot be processed due to inadequacy of the Collaterals held in the Long Box Account of the Member, as per the respective bilateral CSA(s), the same shall be treated as VM Margin Shortfall.
- (v) Such VM Margin Shortfall shall be intimated to respective Member and its concerned Counterparty. It shall be responsibility of the concerned Member and its Counterparty to mutually resolve the VM Margin Shortfall and Clearing Corporation shall not be responsible for any consequences that may arise on account of such VM Margin Shortfall.
- (vi) In the event of a shortfall in the Collaterals provided, Members may bilaterally decide to settle lesser amount than the amount calculated and reported by SARVAM. In such cases, it shall be the responsibility of Members to advise Clearing Corporation of such settlement before the Cut-Off Time notified by Clearing Corporation. On such advice and confirmation by both the Counterparties, Clearing Corporation shall transfer the advised amount to the Counterparty. Alternatively, if the Member decides to process and settle only to the extent of the available Collateral, the specific transfer instructions to the Counterparty(ies) shall be processed. Any residual shortfall shall then be addressed by the Counterparty bilaterally beyond and outside the scope of SARVAM.
- (vii) Collateral shall not be transferred and a report shall be provided in case of Margin Shortfall. In such cases the Members shall settle the Collateral bilaterally.
- (viii) Reports containing details of Counterparty wise segregation of VM posted/received along with Counterparty details shall be provided to the Member in format specified by Clearing Corporation.

CHAPTER VIII: SAFEKEEPING, SEGREGATION AND TRANSFERS

1. Safekeeping

- (i) The Clearing Corporation shall open and maintain a segregated account in the name of the Member and hold in such account all Cash and Securities initially posted plus any additional Cash and Securities that may be received from the Member in form of Collateral in accordance with these CCIL-SARVAM Rules.
- (ii) The Members shall provide an irrevocable power of attorney to the Clearing Corporation to deal with the Collateral posted in the manner specified in these CCIL-SARVAM Rules and in the format as notified by the Clearing Corporation.

2. Collateral Segregation

- (i) Clearing Corporation will segregate the collateral posted by the Member to fulfill its margin requirements in accordance with the CSA entered into by such Member with its Counterparty. The segregation of account in the name of the Member will ensure that:
 - (a) The Collateral which is posted with the Clearing Corporation under SARVAM is held in trust with Clearing Corporation and shall be dealt in accordance with the CCIL-SARVAM Rules.
 - (b) The Collateral so posted does not become part of the Clearing Corporation's proprietary assets.
 - (c) The Collateral posted as Initial Margin is available with the collecting party on timely basis following Event of Default of the Collateral posting party.
 - (d) The Collateral provided by the posting party is protected in the event the collecting party enters into insolvency or bankruptcy.
 - (e) The collateral posted as Initial Margin by a Member shall be held segregated from the assets of all other Members.
- (ii) Clearing Corporation will open the accounts under two categories in accordance with Collateral Management Module:
 - (a) Current Accounts for Collateral posted in form of Cash; and
 - (b) Gilt Accounts for Collateral posted in form of G-Secs/Securities.

- (iii) All Collaterals of the Member held by the Clearing Corporation shall be in accordance with Applicable Laws including Netting Act and Governing Directions.
- (iv) The form and manner in which the Collateral are held shall be as notified by Clearing Corporation in accordance with Rule 1 of this Chapter VIII: SAFEKEEPING, SEGREGATION AND TRANSFERS. Provided however that the Collateral of a Member so held shall be identified and segregated from the own assets of Clearing Corporation or from other Member(s).

3. Transfer of Collateral on Event of Default

- (i) Post invocation of Close Out Netting on Event of Default of a Counterparty, it shall be the responsibility of Member to intimate Clearing Corporation, as per process specified for such purpose by Clearing Corporation, for transfer of Collateral, posted by the Counterparty, to the non-defaulting Member against any Margin requirement.
- (ii) Non-defaulting Member shall, prior to giving transfer instruction to Clearing Corporation on Counterparty's Event of Default, ensure proper due diligence that is necessary for the purpose of declaring an Event of Default. Such Member shall be solely responsible for the transfer instruction, and in no event whatsoever Clearing Corporation will be held liable or responsible for such instructions including in situation where it is alleged that such instructions are vitiated by fraud, misrepresentation, lack of due diligence, breach of terms of the CSA, etc.

Notwithstanding the above, for the limited purpose where there is a Counterparty's Event of Default and the defaulting Counterparty is the collecting party and the non-defaulting Member is the posting party which has submitted a transfer instruction to the Clearing Corporation in accordance with Rule 3(ii) of this Chapter, then upon receipt of such intimation from the non-defaulting Member, the Clearing Corporation will provide a Notice of 2 (two) Business Days to the defaulting Counterparty notifying such defaulting Counterparty of the receipt of transfer instruction from the non-defaulting Member and request for withdrawal of Collateral posted by such non-defaulting Member as posting party. If (a) the defaulting Counterparty does not provide its confirmation to such withdrawal of Collateral posted by the non-defaulting Member as posting party or (b) both the defaulting Counterparty and the non-defaulting Member provide a joint instruction to the Clearing Corporation to not act on the transfer instructions as provided above; in each case, within the notice period of 2 (two) Business Days, the Clearing Corporation shall transfer the said Collateral as per the

transfer instruction from the non-defaulting Member to such non-defaulting Member which is the posting party.

- (iii) Non-defaulting Member shall also ensure that it complies with the provision of their respective Netting Agreement (i.e. their ISDA Agreement and CSA) or any other document/ agreement prior to declaring an Event of Default.
- (iv) Clearing Corporation shall carry out transfer of Cash or Securities as directed by the non-defaulting Member and shall not be responsible for verification of the transfer instruction given by such Member. Clearing Corporation shall act in good faith and rely on non-defaulting Member's instructions. Clearing Corporation shall not be held liable for any consequences that may arise on account of such transfer of Collateral to non-defaulting Member.

CHAPTER IX: INDEMNITY AND LIMITATION OF LIABILITY

1. INDEMNITY

- (i) Without prejudice to the other rights and remedies available to the Clearing Corporation, a Member shall indemnify and keep indemnified, Clearing Corporation or its employees or its agents against any loss/ damage suffered by Clearing Corporation in providing the services by Clearing Corporation to the Member or any other loss, damage, cost, expenses (including reasonable attorney fees) arising from a Member's default, misconduct or negligence on the part of the Member or any employee, agent, servant or representative of the Member. This shall be a continuing indemnity notwithstanding cessation of membership.
- (ii) Save as otherwise provided in these CCIL-SARVAM Rules, Clearing Corporation shall hold harmless its Members against any defaults on part of Clearing Corporation in relation to the services under SARVAM.
- (iii) In relation to the revised IM values provided by the Members to the Clearing Corporation in accordance with Rule 3.1(vii) of CHAPTER VII - MARGINING AND COLLATERAL MANAGEMENT of these CCIL-SARVAM Rules, Members shall indemnify the Clearing Corporation and its officials against any form of losses, damages, penalties, liabilities, legal costs and/or consequences arising out of the Clearing Corporation acting on the IM values provided by such Members.
- (iv) In relation to transfer instruction received by the Clearing Corporation in accordance with Rule 3(ii) of CHAPTER VIII - SAFEKEEPING, SEGREGATION AND TRANSFERS of these CCIL-SARVAM Rules, the Member and its Counterparty, shall be solely responsible for any transfer affected by the Clearing Corporation pursuant to the transfer instructions, and in no event whatsoever the Clearing Corporation will be held liable or responsible for such transfer instructions. Further, such Members shall indemnify the Clearing Corporation and its officials against any form of losses, damages, penalties, liabilities, legal costs and/or consequences arising out of the Clearing Corporation acting on the transfer instructions of such Members.

2. LIMITATION OF LIABILITY

- (i) Clearing Corporation shall not be deemed to guarantee the title, ownership, genuineness, regularity or validity of any security or any document passing through

Clearing Corporation and shall not in any manner whatsoever be and/ or deemed to be associated and/ or responsible for the underlying transactions of the relative Trades.

- (ii) The only obligation of Clearing Corporation shall be to facilitate services that are notified under these CCIL-SARVAM Rules and that are availed by the Members. Provided that no claim, liability and/ or responsibility shall rest with Clearing Corporation and/ or any of its officials in the event of any delay in Valuation/ computation of Margins, assigning/segregation/transfer of Collateral settlement and/or other related services that are facilitated by Clearing Corporation for reasons beyond the scope and control of Clearing Corporation or on account of any technical glitch or any issues that may be faced by Members.
- (iii) The Member shall maintain all necessary infrastructure so as to connect to the services that are offered under SARVAM and shall solely be responsible for the same.
- (iv) No failure or delay on the part of Clearing Corporation in the exercise of any power, right or privilege here under shall operate as a waiver thereof, nor shall any failure or delay in exercise of such power, right or privilege preclude Clearing Corporation from further exercise thereof.
- (v) Clearing Corporation shall not be liable for any unauthorized deals reported by the Member that may be reported for availing the services that are offered under CCIL-SARVAM Rules.
- (vi) Clearing Corporation shall not be liable for any unauthorized deals reported by any unauthorised users having access to the Member's infrastructure or credentials.
- (vii) Clearing Corporation will not be liable for all its bonafide acts, and accordingly no claim can be preferred against it for such acts. Furthermore, no action shall lie against Clearing Corporation, its directors, employees, its officers or any of its authorized person(s) for all their acts in good faith on behalf of Clearing Corporation.
- (viii) Clearing Corporation shall not be held responsible or liable for any consequences arising out of failure of computer systems, telecommunication network and other equipment installed at the Member's end.
- (ix) Clearing Corporation shall also not be liable for failure or breakdown of its systems or power outage or any hacking etc., resulting in non-availability of the systems, its SARVAM services and/or delay in completing activities related to SARVAM.
- (x) Clearing Corporation shall also not be responsible for any force majeure event such as act of god, civil commotion, strikes, riots or any other factor beyond its control resulting

in non-availability of its systems and/or delay in completing activities related to SARVAM.

CHAPTER X: GENERAL PROVISIONS

1. Clearing Corporation shall have the full discretion to part with/disclose or disseminate such information relating to the Trades received under CCIL-SARVAM Rules as deemed necessary to any regulator, governmental, judicial authorities under any law or any investigative or other agencies.
2. The services under CCIL-SARVAM Rules are provided based on data sourced from various third parties. Clearing Corporation shall not be liable on account of any errors or incorrect data supply or on account of discontinuation of said data.

CHAPTER XI: DISPUTE RESOLUTION**1. DISPUTE BETWEEN MEMBER AND ITS COUNTERPARTY**

- (i) All claims, differences or disputes between the Members inter-se arising out of or in relation to dealings, contracts or transactions made subject to CCIL-SARVAM Rules or with reference to anything incidental thereto or in pursuance thereto for relating to their validity, construction, interpretation, fulfillment or the rights, obligations and liabilities of the parties thereto and including any question of as to such dealings, transactions and contracts have been entered into or not shall be submitted to dispute resolution in accordance with the provisions of these CCIL-SARVAM Rules.
- (ii) In the event of any claims, differences or disputes between the Members is submitted to dispute resolution as set out in Rule 1(i) above of this Chapter, such claim, difference or dispute shall be referred to the Panel for Resolution of Disputes (“**PRD**”) consisting of not less than five Members other than the Members who are parties to the dispute. The decision of the PRD shall be final and binding on the parties to the dispute.
- (iii) Clearing Corporation shall not be made a party to any dispute between the Member and its Counterparty.
- (iv) Clearing Corporation may, from time to time prescribe rules for the matters which in the opinion of Clearing Corporation are required to be dealt with in these CCIL-SARVAM Rules to facilitate dispute resolution between the Members including the procedure to be followed by the parties in dispute, the procedure to be followed by the PRD in conducting the dispute resolution proceedings etc. Clearing Corporation from time to time may amend, modify, alter, repeal, or add to the provisions of these CCIL-SARVAM Rules.
- (v) **PANEL FOR RESOLUTION OF DISPUTES (PRD)**
 - (a) For the purpose of dispute resolution, the Clearing Corporation shall by Notification constitute the PRD by nominating a four member panel (including Member and non-member), and a senior official/Managing Director/ authorised representative of Clearing Corporation as the fifth member on PRD, who shall be the Chairman of PRD.
 - (b) In case of any dispute involving any Member(s) is/are also member(s) of the PRD, Clearing Corporation shall by Notification replace such member(s) of the PRD by Notification for the limited purpose of looking into such dispute.

- (c) The tenure of membership of the members in the PRD shall be two years from the date of appointment or as may be notified by the Clearing Corporation from time to time. However, if one or more office(s) of the member(s) on the PRD falls vacant after the appointment thereto, the Clearing Corporation shall by Notification fill up the vacancy.

(vi) PROCEDURE FOR DISPUTE RESOLUTION

- (a) The aggrieved Member shall submit a written application in duplicate to Clearing Corporation, at the registered office address of the Clearing Corporation for dispute resolution setting out all the relevant facts of the case along with the requisite documents in support of the same.
- (b) The applicant shall simultaneously send a copy of the application seeking dispute resolution addressed to Clearing Corporation along with its supporting documents to the respondent.
- (c) Upon receipt of the documents from the parties a PRD meeting shall be arranged no later than 7 (seven) Business Days from the date of such receipt for the purpose of dispute resolution.
- (d) The PRD shall dispose of the dispute within 15 (fifteen) Business Days of submitting the dispute.
- (e) The PRD for the purpose of disposing of the matter may ask for such information/ documents as it may deem necessary from the parties or Clearing Corporation and may give the parties to the dispute an opportunity of being heard, if it deems fit, and for that purpose shall determine the date and time of hearing and shall give notice to all the parties concerned.
- (f) The decision of the PRD shall be in writing and duly dated and signed by each of the members on the PRD.

(vii) DISCLOSURE BY PERSONS TO BE APPOINTED AS MEMBERS ON THE PRD

Every Member who is approached in connection with a possible appointment as a member on the PRD shall disclose to Clearing Corporation in writing any circumstances likely to give rise to justifiable doubts as to 'independence' and 'impartiality' more particularly when a dispute is referred to the PRD. If the person discloses any circumstances which in the opinion of Clearing Corporation are likely to give rise to justifiable doubts as to the independence and impartiality, then such individual, shall not be Member of PRD in respect of such dispute.

(viii) DISCLOSURE BY PERSONS APPOINTED AS MEMBERS OF PRD

A Member, from the time of appointment on the PRD and throughout the dispute resolution proceedings, shall, without delay, disclose to the parties and Clearing Corporation in writing any circumstances referred to in Rule 1 (vii) above which have come to such Member's knowledge after appointment as a member to the PRD.

(ix) TERMINATION OF TENURE OF THE MEMBER ON THE PRD

The tenure of a member on the PRD shall terminate:

- (a) if such member withdraws from PRD for any reason; or
- (b) where such member is unable to perform in accordance with these CCIL-SARVAM Rules; or
- (c) on completion of two years or any other term as specified by Clearing Corporation from the date of appointment; or
- (d) such member discloses any circumstances referred to in Rules 1(vii) or 1(viii) above.

(x) ADMINISTRATIVE ASSISTANCE

To facilitate smooth conduct of the dispute resolution proceedings, Clearing Corporation shall provide such administrative assistance as may be necessary for proper conduct of dispute resolution with respect to all claims, differences or disputes which are submitted to PRD as per the provisions of these CCIL-SARVAM Rules.

(xi) VENUE OF DISPUTE RESOLUTION

All the proceedings in relation to dispute resolutions shall be conducted in Mumbai, unless otherwise specified by Clearing Corporation after consultation in this regard with the PRD.

(xii) ADMINISTRATIVE ASSISTANCE WHICH MAY BE PROVIDED BY CLEARING CORPORATION

Clearing Corporation shall:

- (a) Maintain a register of references;
- (b) Receive all applications for dispute resolution and communications addressed by the parties before or during the course of dispute resolution proceedings or otherwise in relation thereto;
- (c) Communicate to the parties all orders and directions of the PRD;

- (d) Receive and record all documents and papers relating to the reference and keep in custody all such documents and papers except such as the parties are allowed to retain;
- (e) Communicate the decision on behalf of the PRD;
- (f) Generally do such things and take all such steps as may be necessary to assist the PRD in the execution of their function.

(xiii) JURISDICTION

All parties to a reference under CCIL-SARVAM Rules and the persons, if any, claiming under them, shall be deemed to have submitted to the exclusive jurisdiction of the courts in Mumbai.

2. **DISPUTE BETWEEN MEMBERS AND CLEARING CORPORATION**

- (i) Clearing Corporation shall not in any manner recognize nor rely on, any transaction other than those of its own Members i.e. Members shall only be recognized as parties to the Trades.
- (ii) Any dispute between the Member and the Clearing Corporation shall be subject to arbitration procedure as specified below:
 - (a) All claims, differences or disputes between a Member and Clearing Corporation arising out of or in relation to dealings, contracts or transactions in relation to CCIL-SARVAM Rules (a “**CCIL-Member Dispute**”) shall be referred to and settled by arbitration.
 - (b) The seat or legal place of arbitration shall be Mumbai.
 - (c) The arbitration shall be conducted in accordance with the procedure specified under Arbitration Act. Provided that, in the event of any conflict between the CCIL-SARVAM Rules and the provisions of the Arbitration Act, the former shall prevail to the extent herein specified.
 - (d) The arbitration tribunal (“**Tribunal**”) shall consist of three arbitrators. The Member and Clearing Corporation shall nominate one arbitrator each and the two arbitrators nominated by them shall agree upon a third arbitrator who shall act as the chairman of the Tribunal.
 - (e) If either of the Member or the Clearing Corporation do not nominate an arbitrator, then, notwithstanding what is provided in (d) above, the Tribunal shall consist of the sole arbitrator as nominated by the relevant party. Similarly, if the third arbitrator has not been agreed within 7 (seven) days of the

appointment of the first two arbitrators, then on an application by the Member or Clearing Corporation, the third arbitrator shall be appointed by the Bombay High Court, in accordance with the procedure prescribed under the Arbitration Act.

- (f) The language of the arbitration shall be English.
- (g) The Tribunal shall use its best efforts to produce a final and binding award or awards within 1 (one) month of the appointment of the presiding arbitrator. Both the Member and Clearing Corporation shall use their best efforts to assist the Tribunal to achieve this objective, and the parties agree that the 1 (one) month period shall only be extended in exceptional circumstances, which will be determined by the Tribunal in its absolute discretion. The decision of the Tribunal shall be final, binding and incontestable and may be enforced as a decree of a court or used as a basis for judgment in India or elsewhere.
- (iii) In India, subject to the provisions of this Chapter, all parties to a reference under these CCIL-SARVAM Rules shall submit to the exclusive jurisdiction of the courts in Mumbai and shall be governed by the extant Indian laws, for the purpose of giving effect to the provisions of these CCIL-SARVAM Rules and the services referred herein.

3. DISPUTE BETWEEN MEMBER AND ITS COUNTERPARTY NOT RELATING TO SARVAM

- (i) Members shall refer to their Netting Agreement or any other Agreement for any dispute that may arise between Member and its Counterparty.
- (ii) Clearing Corporation shall not be made a party to any dispute between Member and its Counterparty and shall not be held liable for any dispute amongst Member and its Counterparty.
- (iii) Clearing Corporation shall provide necessary assistance (including any relevant information sought in accordance with the Rule below of this Chapter to any dispute resolution proceedings between the Members.
- (iv) Notwithstanding anything contained in any prior agreement (including but not limited to any master agreement, credit support agreement etc.) the record of Clearing Corporation as maintained by a central processing unit or a cluster of processing units or computer processing units, including the hard/soft copies thereof, or maintained in any other manner including record of telephonic conversations shall constitute conclusive evidence in relation to any Trades. For the purposes of any dispute, such

records as maintained by Clearing Corporation shall constitute conclusive evidence in any dispute or claim between the Members inter-se or between Members and Clearing Corporation.

CHAPTER XII: FEES AND CHARGES

1. SCHEDULE OF FEES AND CHARGES

- (i) The Board or any other committee/authority appointed by the Board or official(s) of Clearing Corporation authorized by the Board in that behalf shall prescribe the scale of fees, charges, levies, fines and/ or penalties payable by Members for services provided by Clearing Corporation from time to time.
- (ii) The Board or any other committee appointed by the Board or official(s) of Clearing Corporation authorized by the Board in that behalf shall be empowered to review the various fees, charges, levies, fines and/ or penalties and effect such changes in the same as it considers necessary.
- (iii) The tariff, as and when made effective, shall be payable by Members.
- (iv) The schedule of such charges shall be notified to the Members from time to time.

2. BILLS FOR FEES AND CHARGES

- (i) Clearing Corporation shall render bills relating to its usual fees and charges for services provided by Clearing Corporation from time to time.
- (ii) The periodicity of bills (including the transaction charges) shall be as per the Notification issued by Clearing Corporation.
- (iii) Discrepancies, if any, in the bills, shall be notified to Clearing Corporation with all necessary details no later than 2 (two) Business Days from the date of notification of the relative bill.

3. RECOVERY OF CHARGES

- (i) The Members shall effect payment of the bills and/or transaction charges payable to Clearing Corporation in the manner specified by Clearing Corporation from time to time.
- (ii) Members shall be liable on delayed payment of charges as per the Notification issued by Clearing Corporation from time to time.
- (iii) The payment of fines, and/or other levies shall be payable by the Members' separately as and when such a demand has been made by Clearing Corporation.

CHAPTER XIII: SUDDEN EVENT HANDLING

1. Due to the occurrence of any unforeseen event or circumstance beyond the control of Clearing Corporation, it may be required to abruptly suspend the services related to SARVAM by declaration of an unscheduled holiday.
2. In such an event, when an unscheduled holiday is declared, then all operations/process related to Valuation, Margin computation and Collateral Management shall be moved to the next Business Day and all Valuation, Margin computation and Collateral Management values of previous day shall be applicable until next Business Day.

CHAPTER XIV: DISCIPLINARY ACTION, SUSPENSION AND EXPULSION

1. DISCIPLINARY ACTION

Clearing Corporation may expel or suspend under censure and/or warn and/or withdraw all or any of the Membership rights of a Member if it is in contravention, non-compliance, disobedience, disregard or evasion of any of these CCIL-SARVAM Rules of Clearing Corporation or of any resolutions, orders, notices, directions or decisions of Clearing Corporation or of any other committee or officer of Clearing Corporation authorised in that behalf or of any conduct, proceeding or method of business which the Board in its discretion deems to be consistent with just and equitable principles or detrimental to the interests, reputation of Clearing Corporation or prejudicial or subversive to its objects and purposes.

2. BREACH OF RULES

- (i) Every Member shall be liable to suspension, expulsion or withdrawal of all or any of its membership rights and/or to payment of fine and/or to be censured, reprimanded or warned for contravening, disobeying, disregarding or willfully evading any or any resolutions, orders, notices, directions, decisions hereunder of Clearing Corporation, or of the Board, executive committee, Managing Director or any officer of Clearing Corporation.
- (ii) Clearing Corporation may at its discretion charge such penalty as it may deem fit for delayed and/or non-payments of any applicable fees or charges.
- (iii) The Member shall reimburse Clearing Corporation all out of pocket expenses including legal and any other expenditure incurred by Clearing Corporation in connection with a dispute, default or any other activity undertaken by Clearing Corporation with or on behalf of such a Member.

3. MEMBERSHIP SUSPENSION

- (i) A Member shall be liable for immediate suspension from Membership upon it:
 - (a) Being suspended from using RBI INFINET;
 - (b) Being suspended from using RBI RTGS;
 - (c) Being suspended from any other business segments of Clearing Corporation or its subsidiaries;
 - (d) Being suspended/ordered for suspension from undertaking activity by a regulatory body, court, law enforcement agency or any other statutory body/agency authorized to do so;

- (e) Being wound up or ordered to be wound up under extant laws or where the winding up has commenced against such Member;
- (f) Failure to abide by the CCIL-SARVAM Rules;
- (g) Becoming liable for disciplinary proceedings or such proceedings as are initiated and/or proposed to be initiated against a Member.

A Member shall also be liable for immediate suspension of its membership rights for any other cause which in the opinion of Clearing Corporation warrants such suspension; Such suspension may be in force till such time as the same is specifically moved by Clearing Corporation on Clearing Corporation being satisfied that the conditions for suspension no longer exist.

- (ii) Suspension may be of two types:
 - (a) temporary i.e., for a period of a maximum of 7 (seven) Business Days or such number of days as may be decided by Clearing Corporation;
 - (b) long term i.e., for a period exceeding the one mentioned under (a) above.
- (iii) Upon suspension of membership, Clearing Corporation shall notify such suspension to other Members.
- (iv) The Managing Director of Clearing Corporation or a committee of not less than two officials nominated by the Managing Director may disable a Member from accessing the facilities of Clearing Corporation if in the opinion of the Managing Director or the committee of officials circumstances exist warranting disablement pending suspension.
- (v) Provided that, within 4 (four) hours after such disablement, the Managing Director or the committee of officials as the case may be shall record in writing the reasons for such disablement provided however that the same shall be reported at the next Board or the committee meeting whichever is earlier as may be notified by Clearing Corporation in this respect.
- (vi) Notwithstanding anything contained in any of these CCIL-SARVAM Rules, if a Member is restrained from undertaking any activity including the dealing in derivatives by any regulatory/statutory body, court, such Member shall ipso facto stand suspended from the membership of Clearing Corporation.

4. RECONSIDERATION / REVIEW

The Board may, on its own or on appeal by the Member concerned, reconsider and rescind, revoke or modify its order fining, censuring, warning or withdrawing all or any of the membership rights of the Member. In like manner, the Board may rescind, revoke or modify a

resolution expelling or suspending any Member.

5. CONSEQUENCES OF SUSPENSION

The suspension of a Member shall among others, have the following consequences:

- (i) Suspension shall be effective immediately upon the Member being notified to that effect by Clearing Corporation unless otherwise specifically mentioned. Upon suspension, Members shall not have access to the services under these CCIL-SARVAM Rules for any new Trades.

However, the suspended Member will continue to be provided the services for its existing Trades. Dues, if any, arising out of actions undertaken by Clearing Corporation for and on behalf of such Member prior to such suspension and for the extant services provided shall continue to be payable by the Member.

- (ii) Suspension of Membership rights

A suspended Member shall during the terms of its suspension, be deprived of and excluded from all rights and privileges of membership for any new Trades. Further, it may be proceeded against by Clearing Corporation for any breach committed by such suspended Member before suspension in such manner as may be necessary to protect the interest of Clearing Corporation.

6. CONSEQUENCES OF EXPULSION

The expulsion of a Member shall, among others, have the following consequences namely:

- (i) The expelled Member shall forfeit its right of membership to Clearing Corporation and all rights and privileges as a Member of Clearing Corporation.
- (ii) The extant Collateral held with Clearing Corporation on account of such Members shall be returned to the Counterparties and the same shall be managed outside these CCIL-SARVAM Rules in a phased manner so as to avoid any market repercussion.

CHAPTER XV: MISCELLANEOUS

1. INCONSISTENCIES

- (i) Notwithstanding anything contained herein or these CCIL-SARVAM Rules, any direction or circular or rule or guideline issued by RBI under RBI Act or Netting Act or Governing Directions, there under shall be deemed to be part of these CCIL-SARVAM Rules and in the event of any inconsistency with the provisions of these CCIL-SARVAM Rules, such act, direction or circular or rule or guideline shall prevail over the provisions set out in these CCIL-SARVAM Rules.
- (ii) The Rules of Clearing Corporation and all subsequent variations to them shall be subject to, governed by and interpreted in harmony with the RBI Act, Netting Act and Governing Directions thereunder and the laws of India.

The Clearing Corporation of India Ltd.

Glossary of changes to the CCIL-SARVAM Rules

| Sr. No. | Chapter | Revised Clause | Rationale |
|---------|--|---|--|
| 1. | CHAPTER VII: MARGINING AND COLLATERAL MANAGEMENT | <p>3. PROCESS OF COLLATERAL MANAGEMENT</p> <p>3.1 Collateral Management Process</p> <p><u>(vii) Member(s) may override the Margin computation arrived at by SARVAM in the form and manner prescribed by the Clearing Corporation. In the event, a Member is exercising the override functionality and providing its own Margin values, such computation shall be considered by SARVAM only on receipt of approval from its' Counterparty, in the form and manner prescribed by the Clearing Corporation, within the Cut-Off Time.</u></p> | To provide for consent relating to override of valuations from both the parties. |
| 2. | CHAPTER VIII: SAFEKEEPING, SEGREGATION AND TRANSFERS | <p>3. Transfer of Collateral on Event of Default</p> <p>(ii) Non-defaulting Member shall, prior to giving transfer instruction to Clearing Corporation on Counterparty's Event of Default, ensure proper due diligence that is necessary for the purpose of declaring an Event of Default. Such Member shall be solely responsible for the transfer instruction, and in no event whatsoever Clearing Corporation will be held liable or responsible for such instructions including in situation where it is alleged that such instructions are vitiated by fraud, misrepresentation, lack of due diligence, breach of terms of the CSA, etc.</p> <p><u>Notwithstanding the above, for the limited purpose where there is a Counterparty's Event of Default and the defaulting Counterparty is the collecting party and the non-defaulting Member is the posting party which has submitted a transfer instruction to the Clearing Corporation in accordance with Rule 3(ii) of this Chapter, then upon receipt of such intimation from the non-defaulting Member, the Clearing Corporation will provide a Notice of 2 (two) Business Days to the defaulting Counterparty notifying such defaulting Counterparty of the receipt of transfer instruction from the non-defaulting Member and request for withdrawal of Collateral posted by such non-defaulting Member as posting party. If (a) the defaulting Counterparty does not provide its confirmation to such withdrawal of Collateral posted by the non-defaulting Member as posting party or (b) both the defaulting Counterparty and the non-defaulting Member provide a joint instruction to the Clearing Corporation to not act on the transfer instructions as provided above; in each case, within the notice period of 2 (two) Business Days, the Clearing Corporation shall transfer the said Collateral as per the transfer instruction from the non-defaulting Member to such non-defaulting Member which is the posting party.</u></p> | To provide for Counterparty notice and consent in case of posting party withdrawal on account of collecting party default. |

The Clearing Corporation of India Ltd.

| Sr. No. | Chapter | Revised Clause | Rationale |
|---------|---|---|---|
| 3. | CHAPTER IX: INDEMNITY AND LIMITATION OF LIABILITY | <p>1. INDEMNITY</p> <p><u>(iii) In relation to the revised IM values provided by the Members to the Clearing Corporation in accordance with Rule 3.1(vii) of CHAPTER VII - MARGINING AND COLLATERAL MANAGEMENT of these CCIL-SARVAM Rules, Members shall indemnify the Clearing Corporation and its officials against any form of losses, damages, penalties, liabilities, legal costs and/or consequences arising out of the Clearing Corporation acting on the IM values provided by such Members.</u></p> <p><u>(iv) In relation to transfer instruction received by the Clearing Corporation in accordance with Rule 3(ii) of CHAPTER VIII - SAFEKEEPING, SEGREGATION AND TRANSFERS of these CCIL-SARVAM Rules, the Member and its Counterparty, shall be solely responsible for any transfer affected by the Clearing Corporation pursuant to the transfer instructions, and in no event whatsoever the Clearing Corporation will be held liable or responsible for such transfer instructions. Further, such Members shall indemnify the Clearing Corporation and its officials against any form of losses, damages, penalties, liabilities, legal costs and/or consequences arising out of the Clearing Corporation acting on the transfer instructions of such Members.</u></p> | To provide for protection for Clearing Corporation on account of notice period provided to members for withdrawal of collaterals and for any action or inaction necessitated for override of valuation. |
| 4. | CHAPTER XI: DISPUTE RESOLUTION | <p>1. DISPUTE BETWEEN MEMBER AND ITS COUNTERPARTY</p> <p>(vi) PROCEDURE FOR DISPUTE RESOLUTION</p> <p>(a) The aggrieved Member shall submit a written application in duplicate to Clearing Corporation, at the registered office address of the Clearing Corporation for dispute resolution setting out all the relevant facts of the case along with the requisite documents in support of the same, the dealing segment in which the dispute has arisen and any other additional information.</p> | Minor rectification. |