

SARVAM Rules – Additional FAQs (Frequently Asked Questions)*

Abbreviations and Acronyms:

- BCBS-IOSCO margin requirements The *Margin requirements for non-centrally cleared derivatives* by Basel Committee on Banking Supervision (BCBS) and International Organization of Securities Commissions (IOSCO)
- Bilateral Netting Act, 2020 Bilateral Netting of Qualified Financial Contracts Act, 2020
- CCIL The Clearing Corporation of India Limited
- CCIL-TR CCIL-Trade Repository
- CCP Central Counterparty
- CSP Collateral Service Provider
- CSA Credit Support Annex
- EOD End of the Day
- IM Initial Margin
- Initial FAQs The Frequently Asked Questions (FAQs) issued by CCIL in January, 2025
- NCCD Non Centrally Cleared Derivatives
- RBI Reserve Bank of India
- RBI Margin Directions Master Direction on Margining for Non-Centrally Cleared OTC Derivatives, May 8, 2024
- SARVAM Service for Analysis of Risk, Valuation and Margining
- SARVAM Rules Service for Analysis of Risk, Valuation and Margining (SARVAM) Rules, 2023
- VM Variation Margin

Note:

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

These additional Frequently Asked Questions (FAQs) are issued in March, 2025, in an attempt to provide clarifications to the queries raised subsequent to the Frequently Asked Questions (FAQs) issued by CCIL in January, 2025. The same is answered on the basis of the relevant laws and the SARVAM Rules amended as of date. The relevant laws and the SARVAM Rules may be referred from time to time for any update.

In the event any doubt arises or further clarification is sought, the applicable laws and the SARVAM Rules shall be referred. The FAQs provided here shall in no manner be construed as overriding the SARVAM Rules, or providing for a clarification in the case of any dispute/conflict between the same.

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Additional FAQs on SARVAM

Part A – Additional Operational FAQs

1. *Will CCIL issue Operational guide for SARVAM? What would be the onboarding terms?*

- Detailed demo has been provided to entities desirous of availing the services of SARVAM, including access to mock set up. Operational guide shall be provided to Members.
- Membership application form and other associated documents and commercial terms have already been provided to the entities desirous of seeking membership, on request.

2. *What would be the validation process for CSAs?*

Members shall upload bilateral CSAs and ensure that the terms of such CSAs are accurately captured. SARVAM will rely on the CSAs uploaded by the Member(s).

3. *How is matching of deals processed on SARVAM and whether Member(s) may define the product scope?*

Matching of the deals between two counterparties is processed based on the Primary Economic Term (PET) in CCIL-TR and the matched deal is interfaced to SARVAM, post Member's consent. Provision is made to define the product scope under CSA where Members may specify the desired product and also specify the effective date, for exchange of Margin(s).

4. *How would SARVAM ensure confidentiality, i.e., how would it be ensured that only the parties to a Trade will have access to the respective Trade details on SARVAM?*

Member(s) are provided access only to the respective portfolios trades *viz-a-viz* the Counterparty under SARVAM.

5. *Can the IM amount override functionality be elaborated?*

- IM is required to be posted by both the Counterparties on a gross basis.
- SARVAM shall provide CRIF output and IM Values. The workflow is designed in an integrated manner to provide operational ease. Calculation of Margin values at a central neutral market infrastructure to provide operational convenience and reduce disputes has been envisaged.

- To achieve the purpose of providing IM values which a Member is desirous of using for posting Collateral, an override functionality has been created. There is a maker- checker process for uploading the numbers.
- In SARVAM, a provision to view the Margin requirements from a payer's and/or receiver's end is provided for.
- Members may input/ override the IM values. However, Members are not permitted to override the Counterparty values, which is independent and Counterparty's action is a pre-requisite. Members can upload their final IM values or CRIF (deal wise sensitivities) which can be used to generate IM. The final value shall be taken up for the collateral process.
- In case the Member opts for overriding the SARVAM IM values with their own values, the Member shall ensure that the values provided are agreed upon bilaterally with their Counterparties.
- SARVAM shall accept the overridden IM values provided by the Member, and such values provided shall not be validated by SARVAM. Any discussions/validations/disputes on the margin values, in such cases shall be settled outside SARVAM.
- The overridden values will be captured and reflected and the same shall be used for collateral allocation by SARVAM.
- Where valuation is not adopted as per the values generated by SARVAM, i.e. if the Member(s) have overridden the margin values, for such instances, CCIL shall not be construed as a valuation agent for the purpose.

6. *What are reports made available in SARVAM?*

(Note: Several rounds of discussions, either as a group or on a one-to-one basis have been undertaken to provide full clarity. In fact, mock system access has been provided to the desired entities.)

- All the reports are available in the mock system.
- Based on the request of few entities, templates of various reports have also been shared.
- Currently, the reports can be downloaded from the front-end and is available on CCIL's report browser. Going forward, a mechanism to send reports via a secured mode will be explored.
- Reports shall be available after EOD.

7. *Treatment of Trades reported beyond the Cut-Off Time.*

All Trades reported beyond the Cut-Off Time notified by SARVAM, shall be considered as part of the Margin calculation process of next day.

8. *What would be the timings of various operations of SARVAM such as availability of reports, posting of Collaterals, collateral segregation process, etc.? How will the Members see the Margin requirements?*

- Kindly refer to the Notification issued by CCIL in this regard, dated 11th March, 2025.
- Post login, Members may view the margin requirements for the day.
- Once the Collateral is allocated, it will be reflected against each CSA uploaded in SARVAM.

9. *What would be the source for valuation of G-Secs accepted as Collaterals? What haircuts would be applicable?*

- FBIL publishes the prices for INR Government Securities and the same shall be adopted as the source for valuation of Securities. The prices published by FBIL (on T-Day) shall be adopted as the valuation source for valuing Securities towards the collateral segregation process on T+1 day.
- The haircuts applicable as per the RBI Margin Directions are made available and currently only Indian Government Securities and INR cash are being adopted for Collateral. Members may specify the maximum residual maturity of the bond(s), to be accepted as Collateral as per the CSA terms.

10. *What is the time/day for collateral allocation on account of Initial Margin?*

For uniformity, the allocations shall be done on a T+1 basis.

11. *What is the Margin calculation methodology(ies) used in SARVAM for IM?*

SARVAM offers two Initial Margin calculation methodologies:

- a. Standardised Approach, and
- b. ISDA SIMM Model.

12. *Whether SARVAM provides an automated mechanism to access various reports, either by Application programming interface (APIs) or any other secure file transfer mechanism?*

Automated solution including the Secure file transfer mechanisms and APIs are being examined and any offering will be notified.

Part B – Additional Legal FAQs

13. *Whether CCIL has obtained an independent external legal opinion?*

Yes, CCIL has obtained an independent external legal opinion from CCIL's empanelled Solicitors. Market participants desirous of membership,

may approach CCIL, for a copy of the legal opinion in the following manner:

- a. Address an email to legal@ccilindia.co.in with copy to sarvam@ccilindia.co.in by the Head of Treasury.
- b. The subject may mention 'Legal Opinion– Membership to SARVAM'.

14. *What kind of disputes will be submitted for dispute resolution? When will the dispute resolution process start, and does it bind the parties involved?*

Supplemental to *FAQ 60* of the Initial FAQs, kindly note that all the Chapters of the SARVAM Rules are applicable to the Member(s). If there is no cause of action against a Member, then it shall be construed that the provisions are not invoked against a Member. Nevertheless the Chapter is applicable to all Member(s) in general.

If a Member initiates the procedure under Chapter XI, all involved parties within the scope of the SARVAM Rules will be bound by the provisions of the Chapter. Further, the Chapter shall be exclusive to address the matters between the Members as referred under the scope of SARVAM specifically referred in Rules 1 & 2 of Chapter XI of the SARVAM Rules.

15. *Can the Members/parties and/or CCIL re-hypothecate, re-pledge or re-use the Collateral posted as Initial Margin in any manner?*

No.

16. *Whether the SARVAM Rules are in conformity with the margin rules of UK/USA/EU?*

The RBI Margin Directions, the BCBS-IOSCO's margin requirements, and other applicable/relevant requirements are complied with and the framework of SARVAM is suitably adopted under the legal framework prevalent in the Indian jurisdiction.

17. *Can CCIL access/debit the Long Box Account or the posted collateral to recover the unpaid fees or charges of the Member? Does CCIL have any lien or other similar rights over the Collateral?*

No. CCIL holds the Collateral posted by the parties as a CSP and in accordance with the Bilateral Netting Act, 2020 and in a fiduciary capacity in trust. Accordingly, CCIL in

compliance with applicable laws shall not utilise the same for any purpose other than those specified in the SARVAM Rules.

18. *Can the posting party unilaterally terminate the relationship under SARVAM, i.e., exit from SARVAM?*

Members may exit the arrangement only in accordance with *Chapter V: Membership* of the SARVAM Rules.

19. *In case of a Member's suspension/expulsion from SARVAM, will CCIL continue to hold the posted Collateral and provide the related CSP service until the parties have been able to terminate their bilateral agreements or make alternate arrangements?*

Yes. CCIL will continue to provide the services for the existing trades in such scenario in accordance with Rule 5 of *Chapter V: Membership* of the SARVAM Rules.

20. *Whether CCIL may resign as the CSP or otherwise withdraw services? To the extent CCIL does resign, will CCIL provide due / prior notice regarding the same?*

In the event such a scenario arises, due notice will be provided to all the relevant parties/stakeholders. Additionally, CCIL as a CSP will also be required to submit to the Directions of the Reserve Bank of India.

21. *Can the parties unilaterally withdraw the Securities from the Long Box Account?*

The posting party may withdraw only the excess Securities that is not assigned towards its obligations to any Counterparty, in accordance with *CHAPTER VII: MARGINING AND COLLATERAL MANAGEMENT* of the SARVAM Rules.

22. *What rights does the Counterparty have over the posted Collateral vis-à-vis the requirement of timely availability?*

Supplemental to *FAQs 53, 55, 58* of the Initial FAQs, the collecting party has the right to receive the Collateral in a timely manner in the Event of Default and in accordance with the provisions relating to withdrawal of Collateral.

23. *Whether the SARVAM Rules is subject to the bilateral agreements between the parties?*

The SARVAM Rules will be subject to the applicable laws in India including the Bilateral Netting Act, 2020, the RBI Margin Directions, etc., and will prevail and apply in so far as the

scope of SARVAM is concerned. The Counterparties are not entitled to contract beyond the scope of the SARVAM Rules in so far as the services contemplated under SARVAM is concerned.

24. Whether CCIL will be responsible for the margin value, where the Members provide their own valuation and withdraw excess Collateral based on this valuation, without its Counterparty's instructions?

Supplemental to *FAQs 30, 33 and 36* of the Initial FAQs, the Members providing their valuation/computation shall ensure their Counterparty's consent regarding the same, and such valuation/computation would be considered by SARVAM. Any disagreement/dispute arising from the same shall be dealt bilaterally between the parties.

25. Whether the Collateral posted with CCIL in its CSGL Account will be protected in case of CCIL's insolvency/resolution?

CCIL is a CSP under the RBI Margin Directions, holding the Collateral in accordance with the Bilateral Netting Act, 2020. Further, it may be noted that the Collateral is held in a fiduciary capacity in trust by CCIL.