ISDA® Safe, Efficient Markets

5 March 2020

BY E-MAIL and HAND

Shri. Manoj Kumar
Financial Markets Regulation Department
Reserve Bank of India

Shri. Sunil Nair
Department of Banking Regulation
Reserve Bank of India

Dear all,

Margin Requirements and the Bilateral Netting of Financial Contracts Bill, 2020

The International Swaps and Derivatives Association, Inc. ("**ISDA**")[1] is grateful to the Reserve Bank of India ("**RBI**") for our continuous and ongoing engagement in various key regulatory and market initiatives. We are also grateful for the opportunity to meet with the Financial Markets Regulation Department ("**FMRD Meeting**") on 20 November 2019, where we discussed various key initiatives and global regulatory updates including, among others, the ongoing efforts to resolve the close-out netting position in India ("**Netting**") and the implementation of margin requirements for non-centrally cleared derivatives ("**Margin Requirements**").

As you know, we are in constant dialogue with our members, including global, regional and national financial institutions, end-users and many other financial market participants. The points raised and discussed during the FMRD Meeting take into account our experience and active involvement with regulators in Asian jurisdictions such as Hong Kong, Singapore, and Australia as well as other jurisdictions across the globe such as the United States and the European Union, with the implementation of Margin Requirements in these jurisdictions. As you may also know, ISDA has played a key role in the advocacy and implementation efforts for Margin Requirements in Asian as well as global jurisdictions, and we believe that we are able to provide the RBI with a unique perspective on the issues faced by these jurisdictions in the implementation of Margin Requirements in India.

We appreciate the opportunity provided to us by the RBI to highlight the concerns of the derivatives market participants with certain aspects of the margin requirements proposed by the RBI in its *Discussion Paper on Margin Requirements for non-Centrally Cleared Derivatives* issued in May 2016[2] ("**2016 Margin Consultation**"). These concerns are discussed in detail in the ISDA response to the 2016 Margin Consultation submitted on 8 June 2016[3] ("**2016 Margin Response**"), and further discussed in the ISDA

[1] Since 1985, ISDA has worked to make the global derivatives markets safer and more efficient. Today, ISDA has more than 900 member institutions from 73 countries. These members comprise a broad range of derivatives market participants, including corporations, investment managers, government and supranational entities, insurance companies, energy and commodities firms, and international and regional banks. In addition to market participants, members also include key components of the derivatives market infrastructure, such as exchanges, intermediaries, clearing houses and repositories, as well as law firms, accounting firms and other service providers. Information about ISDA and its activities is available on the Association's website: www.isda.org. Follow us on Twitter @ISDA.
[2] https://rbidocs.rbi.org.in/rdocs/Content/PDFs/DPMR02052016ACC458CF292D4F5C876057C8BD2835D5.PDF, RBI, Discussion Paper on Margin Requirements for non-Centrally Cleared Derivatives.
[3] https://www.isda.org/a/BmiDE/india-submission-080616.pdf, ISDA, Response to RBI Discussion Paper on Margin Requirements for non-Centrally Cleared Derivatives.

International Swaps and Derivatives Association, Inc.
Marina Bay Financial Centre Tower 1, Level 11,
8 Marina Boulevard Singapore 018981
P 65 6653 4170
www.isda.org

NEW YORK WASHINGTON
LONDON BRUSSELS
HONG KONG SINGAPORE
TOKYO

letter submitted to the RBI on 14 May 2018[4] ("**2018 May Margin Letter**") as well as the joint ISDA and Fixed Income and Money Market Derivatives Association of India ("**FIMMDA**") follow-up letter submitted on 31 August 2018[5] ("**2018 August Margin Letter**") (collectively, the "**Industry Margin Submissions**").

We have highlighted these concerns in order to better align the RBI's Margin Requirements with those of the final policy framework issued by the Basel Committee on Banking Supervision and the International Organization of Securities Commissions in March 2015 ("**BCBS-IOSCO Framework**"), as well as that of other Asian and global jurisdictions, keeping in mind the overall goal of strengthening resilience in the non-centrally cleared derivatives market.

The main issues that we raised in FMRD Meeting, and which were set out in detail in the Industry Margin Submissions are discussed below, taking into account certain local and global developments which have taken place since.

1. **Tabling of Netting Bill for introduction in Parliament and its impact on the Margin Requirements**

   We note with interest that the Bilateral Netting of Financial Contracts Bill, 2020[6] ("**Netting Bill**") has been tabled for introduction in Parliament during the Budget Session, expected to take place between 31 January 2020 and 3 April 2020.

   We also note that the Hon'ble Finance Minister, Smt. Nirmala Sitharaman, referenced the Netting Bill specifically in her Budget Speech, indicating that in order *"to improve investors' confidence and to expand the scope of credit default swaps, we propose to formulate a legislation, to be placed soon before the House, for laying down a mechanism for netting of financial contracts"*[7]. Furthermore, the benefits of netting were also discussed extensively in chapter 4 of the Economic Survey of India, 2019-2020[8].

   As discussed at the FMRD Meeting, we are grateful for the RBI's constant engagement with ISDA, the Ministry of Finance ("**MoF**"), and other stakeholders in considering and proposing solutions to resolving the netting position in India as well as the formulation of the Netting Bill. In particular, we are grateful to RBI for providing constructive feedback and input on the draft Netting Bill during the MoF's closed consultation sessions in the past year. ISDA is also grateful for the opportunity to present its views on netting to policymakers and regulators such as the RBI and MoF, and to work together on this important initiative.

   As you are aware, resolving the netting position in India is key to advancing the work in various other initiatives, including the implementation of Margin Requirements in India.

   In this regard, we specifically refer to the 2016 Margin Consultation, in particular to paragraph 14, where the RBI referred to a "lack of legal unambiguity" as the reason for applying margin on a

[4] https://www.isda.org/a/FTAEE/India-Submission-14-May-18.pdf, ISDA, Submission to RBI on netting & margin requirements.
[5] https://www.isda.org/a/sTAEE/India-Submission-31-Aug-18.pdf, ISDA & FIMMDA, Follow-up submission to RBI on netting and margin requirements.
[6] http://164.100.47.193/bull2/2020/31.1.20.pdf, Parliament of India, Lok Sabha Bulletin Part 2, Page 16.
[7] https://www.indiabudget.gov.in/doc/Budget_Speech.pdf, Parliament of India, Budget Speech, Page 28, Paragraph 100(3).
[8] https://www.indiabudget.gov.in/economicsurvey/doc/vol2chapter/echap04_vol2.pdf, Parliament of India, Economic Survey of India 2019-2020, Page 128, Box 3.

"contract by contract" basis and not on a net basis[9]. We also attach a table prepared by Juris Corp, ISDA's opinions counsel, highlighting previous statements made by the RBI with respect to bilateral netting of counterparty credit exposures in **Annex 1** of this letter.

ISDA had previously sent a letter dated 12 October 2012[10] ("**2012 Netting Letter**") to the RBI setting out our view of the netting position in India. As you are aware, a primary concern highlighted in the 2012 Netting Letter is the inconsistent netting treatment under the insolvency proceedings to which nationalized banks (such as the State Bank of India) are subject, and those insolvency proceedings to which entities incorporated under the Indian Companies Act, 2013 (or previous laws relating to companies) are subject.

As discussed in the Industry Margin Submissions and on multiple occasions with the RBI, we would like to further emphasise that requiring margin on a gross (and not net) basis would result in significantly higher costs, and would be out of step with global moves towards incentivizing bilateral margining of non-centrally cleared derivatives. It is therefore absolutely essential for the RBI to ensure greater consistency in the application of netting in India as well as aligning the Margin Requirements in India with global standards in fulfilment of its G20 commitments.

We are indeed hopeful that the Netting Bill will resolve the existing inconsistency of netting application in India. We would however urge that the RBI, as well as other regulators, continue to actively engage with the MoF to consider and put in place any further measures, by way of follow-up regulations and guidance, that would be necessary in order to ensure that the enforceability of netting and that such consistency of application of netting is achieved by the Netting Bill.

As discussed during our meetings with the RBI as well as the MoF closed consultation sessions, it is imperative that the Netting Bill confirms, among others, the enforceability of netting in India with respect to the different counterparty types as well as transaction types.

In the event that the Netting Bill requires each regulator to provide for follow-up regulations and guidance related to the different counterparty types or transaction types, these would need to be considered and put in place in accordance with the timeline for the Netting Bill being Gazetted in order for the netting provisions to have full effect, and for the market to fully benefit from the provisions of the Netting Bill.

2. Publication of final Margin Requirements - RBI Statement on Developmental and Regulatory Policies

We note with interest the RBI Statement on Developmental and Regulatory Policies published on 6 February 2020[11], which indicates that the RBI intends to publish final regulations for the exchange of variation margin ("**VM**") for non-centrally cleared derivatives by end-March 2020, and draft regulations for the exchange of initial margin ("**IM**") for non-centrally cleared derivatives by end-June 2020.

ISDA appreciates our continuous engagement with the RBI and industry participants since the 2016 Margin Consultation and are grateful for the decision taken by the RBI to postpone implementation

[9] https://rbidocs.rbi.org.in/rdocs/Content/PDFs/DPMR02052016ACC458CF292D4F5C876057C8BD2835D5.PDF, RBI, Discussion Paper on Margin Requirements for non-Centrally Cleared Derivatives, Page 7.
[10] https://www.isda.org/a/6QiDE/india-submission-oct-12.pdf, ISDA, Consistency of netting application to spur financial market growth.
[11] https://rbidocs.rbi.org.in/rdocs/PressRelease/PDFs/PR1891415105FB93F94FCEB44EC8E8C219DBF0.PDF, RBI, Statement on Developmental and Regulatory Policies, Page 5, Paragraph 10.

of the Margin Requirements[12] until the issues identified by the Industry Margin Submissions and the industry are addressed.

We wish to reiterate the request in the Industry Margin Submissions that the RBI continues to postpone VM and IM implementation until these issues are resolved, whilst also decoupling implementation of VM requirements with that of IM requirements.

As requested in the Industry Margin Submissions, we would also ask that the RBI provides the industry sufficient implementation time once the final Margin Requirements for both VM and IM, are issued, including providing for adequate time to allow the industry to put in place the necessary implementation measures as well as repaper all existing agreements with their counterparties so as to ensure that its arrangements are compliant with the Margin Requirements.

Some outstanding concerns regarding the Margin Requirements are discussed in greater detail below:

a) Offshore posting of collateral should be allowed

As we had highlighted in the Industry Margin Submissions and had discussed extensively in bilateral meetings over the years, we would welcome the RBI's explicit confirmation that, as part of their global exposure management, foreign covered entities and Indian financial entities subject to Margin Requirements would be able to exchange collateral offshore for the purposes of complying with such Margin Requirements. We would also welcome the RBI's confirmation that commodity derivatives transactions booked with market makers located offshore will not be treated as onshore transactions[13].

Such confirmation of the above should extend to both domestic transactions as well as cross-border transactions entered into by the entities in scope for these Margin Requirements.

Requiring foreign covered entities to post collateral onshore only for domestic transactions means these entities may have to "ring-fence" the trades entered into by their Indian branches, and negotiate new credit support documents with their Indian counterparts to provide for onshore collateral arrangements for such Indian exposures. They will also have to set up new or expand existing onshore collateral management departments to handle settlement and other operational issues for a great number of OTC derivatives transactions. All of the above entail increased costs and risks to foreign financial entities, which would likely pass the costs to their Indian counterparties or end users. Such a requirement would also be inconsistent with the BCBS-IOSCO Framework, and the way foreign covered entities operate in other jurisdictions.

Similar concerns also apply to cross-border trades when Indian financial entities face foreign covered entities outside of India, as it is currently not possible to collateralize derivatives transactions between Indian banks and foreign covered entities that do not have a presence in India.

If the Margin Requirements were only to require and permit onshore collateralisation, such foreign covered entities cannot establish a local collateral management system to receive collateral posted by Indian banks in India. Furthermore, Indian banks currently have reduced choices for

[12] https://www.rbi.org.in/scripts/BS_PressReleaseDisplay.aspx?prid=37940, RBI, Implementation of margin requirements for non-centrally cleared derivatives.

[13] The RBI has explicitly stated that cross border commodity hedging is permissible, as per Regulation 6 of the Foreign Exchange Management (Foreign Exchange Derivative Contracts) Regulations, 2000.

counterparties and are not able to benefit from a more competitive pricing that would otherwise be available for collateralised trades, including with offshore central counterparty clearing houses ("**CCPs**").

We understand from the FMRD Meeting that the RBI is looking closely at this concern, and we welcome confirmation that RBI will permit the offshore posting of collateral within the ambit of the Margin Requirements, or by means of separate regulations. This is in order to avoid disruption of established trading relationships and severe limitation in hedging and financial flows.

We would also request that the RBI confirms that such offshore posting of collateral would be permitted on a permanent basis, and that in making such a determination, the RBI also considers all the relevant fact patterns in reviewing such cross-border collateral exchanges, as highlighted in **Annex 2** of this letter.

b) Removal of the proposed 80% floor on IM model

As highlighted in the Industry Margin Submissions, we strongly disagree with the RBI's proposal of subjecting the IM amount calculated under an IM model to a floor of 80% of the amount computed under the standardised approach. This proposal is inconsistent with the BCBS-IOSCO Framework and the margin regimes in all other jurisdictions.

The use of the standardised approach would yield IM amounts that are excessively conservative and disproportionate to the risks involved. Based on internal assessments done by ISDA and the industry, the IM amount computed using the standardised approach could be up to 15 times higher than that computed under the ISDA Standard Initial Margin Model ("**ISDA SIMM**"), a model developed by ISDA and the industry for use by market participants, which has been approved for use for the calculation of IM by market participants by global regulators since September 2016.

We would also like to highlight that the ISDA SIMM has been designed to meet the requirements set out in the BCBS-IOSCO Framework, and is available to all market participants and has also been licensed for use by vendors[14]. It is a simple model derived from the Sensitivity Based Approach under the Basel framework. It is easy to use, and is designed to produce risk-sensitive results. The IM calculated under such model would still provide a prudent buffer against the risks incurred, without subjecting parties to inordinately high level of margin.

The ISDA SIMM also has a governance framework that ensures consistent oversight, and the SIMM Governance Forum regularly engages with regulators to provide them with updates on the ISDA SIMM. Use of the ISDA SIMM thus provides a conservative yet accurate approximation of the risks incurred without the disadvantage of reducing liquidity, while at the same time ensuring consistent governance and oversight.

Setting a floor for the IM amount at 80% of the amount computed under the standardised approach would entail a significant increase in the funding requirements of covered entities, and would exacerbate changes in bank trading behaviours and result in market liquidity fragmentation.

As a matter of principle, there is also no rationale to justify the imposition of a floor on an IM model. IM models and capital models are very distinct in this regard. While a firm charges a capital model to itself, the IM model is charged to a counterparty. Therefore, the counterparty has an interest in

[14] https://www.isda.org/2016/09/15/isda-simm-licensed-vendors/, ISDA, ISDA SIMM Licensed Vendors.

understanding how the IM model is calculated, and if they do not agree with the IM model calculation, a dispute will arise and they will not trade.

Mandating a floor on IM models, or restricting the use of IM models, will lead to a fragmentation of market liquidity, disincentivization of hedging activities, and the unintended consequence of impeding economic growth.

Therefore, we strongly request that the RBI removes the proposed 80% floor on IM models to minimize any regulatory conflicts.

ISDA has also been providing the RBI with the ISDA SIMM Monitoring Report on a regular basis, and we would be happy to answer any questions or concerns the RBI may have on the ISDA SIMM. ISDA would also be happy to provide the RBI with a more in-depth and technical overview of the ISDA SIMM if needed.

c) Lack of onshore custodial service provider(s)

As also highlighted in the Industry Margin Submissions, there is a very clear need for one or more third party custodial service provider(s) in India, prior to the IM rules being implemented. There should be at least one third party custodial service provider for each type of eligible collateral in the Margin Requirements. Any third party custodial infrastructure established in India will also need to enable Indian branches of foreign financial entities to comply with the IM segregation and other requirements under the margin rules of their home jurisdictions (e.g., requirements in relation to credit quality of the custodian and account structures).

Based on our understanding, collateral exchange with respect to OTC derivatives transactions is not a common practice in India. The current custodial infrastructure is restricted to exchange-traded products and does not extend to OTC derivatives, especially for the purpose of meeting the IM segregation requirements. There is a very real need to ensure that existing or new custodial infrastructures can be developed in time for collateral exchange and management, and provide support to the market, by the implementation date.

We would also like to note that even if third party custodial infrastructures that are compliant with the Margin Requirements were developed in time, there is also the need to ensure that there is sufficient time for market participants to negotiate and enter into new custodial agreements by the implementation date. It is therefore important to note that few onshore entities have collateral management systems or are familiar with the documentation required, and hence it will be important to educate the market on these requirements and to allow for sufficient implementation time.

d) Exemption of stamp duty for VM and IM, and exemptions relating to perfection requirements of IM arrangements

Currently, the execution of credit support documents and transfer of collateral may attract stamp duty (with the latter attracting ad valorem stamp duty in certain States in India) at both the federal level and at the state level in India. We also note that the proposed unified stamp duty on securities, which is expected to be implemented from 1 April 2020 through amendments to the Indian Stamp Act, 1899, requires ad valorem stamp duty for transfer of securities across all States in India.

Currently, in the case of transfer of collateral, stamp duty may be payable if (a) a written notice calling for collateral is issued; and (b) an acknowledgement of, or an agreement with, such notice is required by the collateral provider.

Given the frequency of margin exchange for both VM and IM, large amounts of IM to be posted, and the serious consequences of non-payment or inadequate payment of stamp duty, we request that the RBI works with the relevant authorities to introduce an exemption relating to transfer of margin in relevant stamp duty legislations. Any additional costs incurred in connection with complying with the Margin Requirements would have a serious impact on how businesses conduct their trades.

In addition, we understand that collateral segregation requirements relating to IM may be subject to certain registration, filing or other perfection requirements. For example, we note that the posting of Indian Government Securities as IM may be subject to the prior approval of the RBI. Furthermore, the posting of collateral by a company may also require filings with the Registrar of Companies ("**RoC**") under the Companies Act, 2013. In this connection, we would also like to point out that the Companies (Amendment) Act, 2017, has provided leeway for the Central Government (in consultation with the RBI) to identify certain charges that are not mandatorily required by a Company to register with the RoC. Accordingly, we request the RBI to work with the relevant authorities to waive any perfection requirements to ensure that the IM settlement timeframe can be met.

e) Substituted compliance

ISDA commends the RBI for endeavouring to address cross-border issues in the 2016 Margin Consultation. However, the industry is concerned that the RBI proposed substituted compliance framework, as currently designed, can only be relied upon if both parties are foreign entities (including Indian branches of foreign entities or foreign subsidiaries of Indian entities) that are booking their trades offshore. In this regard, we note that Indian branches of most foreign banks will be subject to the margin regimes of their home jurisdictions as well as the RBI's Margin Guidelines if their trades are booked in India.

Excluding transactions between foreign entities (including Indian branches of foreign entities) and Indian entities from such a substituted compliance framework would be contrary to the intent of principle 7 of the BCBS-IOSCO Framework, which was formulated to address the application of duplicative rule sets in a cross-border context where a foreign entity (or its local branch) trades with a local entity.

Other regulators in Asia, including Hong Kong, Singapore and Australia, have provided a full substituted compliance framework under which:

1. foreign entities (including local branches) are allowed to comply with foreign margin rules that are deemed or assessed to be comparable; and
2. local entities are allowed to comply with foreign margin rules to which their counterparties are subject if such rules are deemed or assessed to be comparable.

Therefore, we request that the RBI harmonises its approach with respect to substituted compliance so as to be in line with the BCBS - IOSCO framework and other Asian regulators.

We would urge the RBI to continue an open and constructive dialogue with market participants on addressing the concerns we have highlighted here, as well as aligning the Margin Requirements in India with the BCBS-IOSCO Framework and with global margin rules to ensure that there is no unintended consequence of market liquidity fragmentation, disincentivization of hedging activities, or negative impact on economic growth.

We would also like to reiterate here that we would like the RBI to continue to postpone implementation of the Margin Requirements until these issues are resolved, and to ensure that the RBI provides the industry with sufficient implementation time once the final Margin Requirements are issued to allow the industry to put in place the necessary implementation measures as well as repaper all existing agreements with their counterparties so as to ensure that its arrangements are compliant with the Margin Requirements.

ISDA thanks the RBI for the opportunity to present the industry's concerns, and we welcome continued dialogue with the RBI on any of the points raised this letter, as well as the previous related submissions. Please do not hesitate to contact ISDA via Rahul Advani, Director, Public Policy (radvani@isda.org or at +65 6653 4171), or Erryan Abdul Samad, Assistant General Counsel (eabdulsamad@isda.org or at +65 6653 4172).
Yours sincerely,

For the **International Swaps and Derivatives Association, Inc.**

Rahul Advani
Director, Public Policy

Erryan Abdul Samad
Assistant General Counsel

ISDA

ANNEX 1

Extracts and references in relation to netting in India (prepared by Juris Corp)

Sr. No.	Topic	Extract	Date	Link
1.	Notification : Prudential Norms for Off-Balance Sheet Exposures of Banks – Bilateral netting of counterparty credit exposures	*"Since the legal position regarding bilateral netting is not unambiguously clear, it has been decided that bilateral netting of mark-to-market (MTM) values arising on account of such derivative contracts cannot be permitted. Accordingly, banks should count their gross positive MTM value of such contracts for the purposes of capital adequacy as well as for exposure norms."*	1/10/2010	Link
2.	Bulletin : Regulatory and Other Measures	*"Since the legal position regarding bilateral netting is not unambiguously clear, it has been decided that bilateral netting of mark-to-market (MTM) values arising on account of such derivative contracts cannot be permitted. Accordingly, banks should count their gross positive MTM value of such contracts for the purposes of capital adequacy as well as for exposure norms."*	12/11/2010	Link
3.	Circular : Prudential Norms for Off-balance Sheet Exposures of Banks	*"Since the legal position regarding bilateral netting is not unambiguously clear, receivables and payables from/to the same counterparty including that relating to a single derivative contract should not be netted."*	11/08/2011	Link
4.	Bulletin : Regulatory and Other Measures	*"Since the legal position regarding bilateral netting is not unambiguously clear, receivables and payables from/to the same counterparty including that relating to a single derivative contract should not be netted."*	13/09/2011	Link
5.	Speech : Legislative Reforms- Strengthening Banking Sector – Anand Sinha	*"Similarly, while bilateral netting in the event of liquidation is admissible for private sector banks governed by the Companies Act and the normal bankruptcy laws, the position in this regard for public sector banks, SBI and its subsidiaries is not clear in law, as liquidation, if at all, of such banks would be as per the Notification to be issued by the Government in this regard."* *"The legal position regarding bilateral netting is not unambiguously clear in case of banks established by special statutes [like SBI Act, Banking Companies (Acquisition and Transfer of Undertakings) Act, etc.]."*	12/01/2012	Link
6.	Master Circular : Prudential norms on Income Recognition,	*"Since the legal position regarding bilateral netting is not unambiguously clear, receivables and payables from/to*	01/07/2014	Link

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Sr. No.	Topic	Extract	Date	Link
	Asset Classification and Provisioning pertaining to Advances	*the same counterparty including that relating to a single derivative contract should not be netted."*		
7.	Discussion Paper on Margin Requirements for non-Centrally Cleared Derivatives	*"The methodology applied to compute margin requirements should be able to capture any loss caused by default of a counterparty with a high degree of confidence. Due to lack of legal unambiguity on reckoning exposures based on net basis, the requirement of variation and initial margins have to be applied on a contract by contract basis. Portfolio margining models can be used only when RBI specifically permits computation of margins on a portfolio basis."*	02/05/2016	Link
8.	Interview: Corporate Debt Market - Mr. H. R. Khan	*"So, what we are trying to do is in terms of CDS, the main issue which has been a stumbling block as per the market is this netting issue involving public sector because of that capital charge increases. So, we were in dialogue with the government whether we have that amendment to the RBI act, netting and if that is not possible, pending that whether based on legal opinion we got second tracked whether the netting can be allowed. So, that will be a big boost."*	01/08/2016	Link
9.	Speech: Strengthening Our Debt Markets - Dr. Raghuram G. Rajan	*"We are conscious of the limitations placed on netting of derivative contracts, and thus the higher associated capital requirements on banks. The issue has been taken up with the Government, and we hope to amend the RBI Act to make such netting possible."*	26/08/2016	Link
10.	Notification: Guidelines for Computing Exposure for Counterparty Credit Risk arising from Derivative Transaction	*"At present, due to lack of unambiguity of legal enforceability of bilateral netting agreements, each non-centrally cleared OTC derivative trade will be considered a netting set of its own and therefore, computation of RC and PFE will not recognise any offset among different derivative transactions."*	10/11/2016	Link

ANNEX 2

Fact patterns to be considered for the offshore posting of collateral

Counterparty A	Counterparty B	Collateral should be allowed
Onshore branch of Indian bank	Onshore branch of Indian bank	Onshore
Onshore branch of global bank	Onshore branch of Indian bank	Onshore
Onshore branch of global bank	Onshore branch of global bank	Onshore OR Offshore
Onshore branch of global or Indian bank	Offshore hedge counterparty[15]	Cross border
Onshore company	Offshore hedge provider (for commodity derivatives)	Cross border
Offshore branch of global bank or CCP	Onshore branch of Indian bank	Offshore
Offshore branch of global bank or CCP	Onshore branch of global bank	Offshore
Offshore branch of global bank or CCP	Offshore branch of Indian bank	Offshore

Explanation: For the purposes of this table,

(i) “Onshore” means a collateral transfer that is made onshore in India

(ii) “Offshore” means a collateral transfer that is made offshore outside of India

(iii) “Cross border” means a collateral transfer that may be made both onshore and offshore

[15] An offshore hedge counterparty could include Foreign Portfolio Investors (FPIs), Foreign Direct Investment (FDI) investors, Non-Resident Indian (NRI) investors, Non-Resident importers or exporters (having INR exposure), External Commercial Borrowings (ECB) lenders (having INR exposure), or such other hedge counterparty having INR exposures as permitted by the regulator from time to time.