

1 July 2026

The Chief General Manager  
Market Risk Group  
Department of Regulation, Central Office  
Reserve Bank of India, 12<sup>th</sup> Floor  
Shahid Bhagat Singh Marg  
Fort, Mumbai – 400 001

By email: [mrgdor@rbi.org.in](mailto:mrgdor@rbi.org.in)

**Re: Feedback on ‘Standardised Approach for Counterparty Credit Risk (SA-CCR)’**

Dear Sir/Madam,

The International Swaps and Derivatives Association, Inc. (ISDA) welcomes the opportunity to respond to the Reserve Bank of India's (RBI) consultation on draft Amendment Directions on ‘Standardised Approach for Counterparty Credit Risk (SA-CCR)’.

ISDA broadly welcomes RBI's move to adopt the Standardised Approach for Counterparty Credit Risk (SA-CCR) and to update the capital treatment for exposures to central counterparties (CCPs). The draft Directions closely follow the BCBS standards and whilst they provide a materially improved framework relative to the previous Current Exposure Method, ISDA has respectfully pointed out to the BCBS that there remain aspects of the standard that result in excessive risk exposures with associated impact on capital and end-user costs<sup>1</sup>. We offer the following comments on certain aspects of the draft Directions where we believe additional clarity or alignment with the underlying BCBS standards would be beneficial.

**Requirement to obtain regulatory approval for the appropriate value of  $\lambda_j$**

For supervisory delta adjustments, we note paragraph 33 requires banks to seek RBI approval for any non-zero values of  $\lambda_j$ . This may be burdensome for banks given that  $\lambda_j$  values are not static values over the life of the trade and will vary across currencies and shift as market conditions change. Requiring prior approval for each value and each subsequent update would create a recurring compliance burden and risk banks being unable to apply a technically correct supervisory delta in a timely manner.

Further, BCBS CRE52.40 FAQ<sup>2</sup> explicitly provides that “the supervisor is encouraged to make a recommendation to banks for an appropriate value of  $\lambda_j$ , with the objective to set it as low as possible. Banks are permitted to use lower values if it suits their portfolios.”

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<sup>1</sup> <https://www.isda.org/2022/04/21/letter-to-bcbs-on-revisiting-sa-ccr/>

<sup>2</sup> [https://www.bis.org/basel\\_framework/chapter/CRE/52.htm](https://www.bis.org/basel_framework/chapter/CRE/52.htm)

For reference, the HKMA has implemented the lambda requirement in a manner consistent with BCBS. In its published Q&As on the Banking (Capital) Rules in respect of counterparty credit risk<sup>3</sup>, the HKMA states that "the supervisory delta adjustment should be calculated in accordance with §226BZB(2)<sup>4</sup> and (3) by assigning a non-zero value to the parameter  $\lambda$  to incorporate a shift in the price of the underlying exposure and the strike price. The same value of  $\lambda$  must be used consistently for all interest rate options in the same currency." There is no requirement for banks to seek prior supervisory approval for the value of lambda used.

ISDA requests that RBI consider aligning with BCBS CRE52.40 FAQ2 by replacing the approval requirement with a supervisory guidance approach.

### **Alpha factor**

ISDA notes that the alpha factor of 1.4 was originally introduced in the context of the internal model method (IMM), where it serves to address model-specific risks, such as model error and wrong-way risk, and extreme market movements. As SA-CCR is a standardised approach with fixed supervisory parameters, RBI may wish to consider whether an alpha factor of 1.0 may be more appropriate in this context<sup>5</sup>.

### **Multi-Level Client Structures**

ISDA welcomes the explicit treatment of multi-level client structures in paragraph 16.6(c) and the associated conditions in paragraph 16.7 of the draft Directions. The treatment of exposures between higher-level and lower-level clients in such structures is a source of interpretive uncertainty in several other jurisdictions.

### **Legal Opinion Requirement for 0% Risk Weight on QCCP Trade Exposures**

Paragraph 16.1 of the draft Directions provides that a clearing member bank that is not obligated to reimburse a client for losses arising from a QCCP default may apply a 0% risk weight to its QCCP trade exposure in respect of those client transactions, subject to obtaining and maintaining an independent, written and reasoned legal opinion confirming that the bank is protected from any such liability in case of QCCP defaults.

ISDA notes that this legal opinion requirement goes beyond the BCBS standard. BCBS CRE54.7<sup>6</sup> scopes the 2% risk weight to situations where the clearing member is obligated to reimburse the client. Where no such obligation exists, BCBS CRE54.13 FAQ1 confirms that the clearing member

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<sup>3</sup> <https://brdr.hkma.gov.hk/eng/doc-ldg/docId/getPdf/20240422-7-EN/20240422-7-EN.pdf>

<sup>4</sup> <https://www.elegislation.gov.hk/hk/cap155L!en.pdf>

<sup>5</sup> For added context, US has set the alpha factor to 1 for transactions with commercial end-users while the UK has reduced the alpha factor from 1.4 to 1 for transactions with pension funds and non-financial counterparties (NFCs).

<sup>6</sup> [https://www.bis.org/basel\\_framework/chapter/CRE/54.htm](https://www.bis.org/basel_framework/chapter/CRE/54.htm)

bank is not subject to capital requirements for the posted collateral without requiring a legal opinion. MAS Notice 637 (effective 1 January 2026)<sup>7</sup> implements the equivalent provision in the same manner at paragraph 7.7.26, with no legal opinion condition attached.

ISDA is concerned that the requirement as drafted could be operationally burdensome. The question of whether a clearing member is legally obligated to reimburse a client is determined by a combination of the CCP's clearing rules and the terms of each individual client clearing agreement, which can be negotiated and tailored. Where a clearing member uses bespoke or varied client clearing agreements, a separate legal opinion may in practice be required for each of such agreements which would make client clearing more expensive.

ISDA respectfully requests that RBI consider whether the policy objective could be achieved through less burdensome means, such as permitting the assessment to be conducted internally supported by documented analysis, rather than requiring a formal external legal opinion.

### **Criterion of porting precedent under portability assessment**

Paragraph 16.7(c) of the draft Directions requires that, in assessing whether offsetting transactions are "highly likely" to be ported in the event of a clearing member default, a bank shall consider (i) whether there is a clear precedent for transactions being ported at the CCP, and (ii) whether the industry intent is for this practice to continue.

ISDA would like to highlight that BCBS CRE54.15(2) states that "...if there is a clear precedent for transactions being ported at a CCP and industry intent for this practice to continue, then these factors must be considered when assessing if trades are highly likely to be ported..." We note that BCBS refers to previous porting as an indication for porting being likely but does not make this precedent a clear requirement.

Further, a CCP that has not experienced a clearing member default will have had no occasion to port client positions and therefore cannot demonstrate a porting precedent. The absence of precedent in such cases reflects strong CCP risk management rather than any deficiency in portability arrangements.

ISDA respectfully requests that RBI clarify, in the final Directions or accompanying supervisory guidance, that a lack of porting precedent arising solely from the absence of prior clearing member defaults should not be interpreted negatively or preclude a finding that porting is highly likely. Banks should instead be encouraged to assess the CCP's porting framework holistically, including through review of CCP rulebooks, default management procedures, and CPMI-IOSCO compliance assessments.

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<sup>7</sup> <https://www.mas.gov.sg/-/media/mas-media-library/regulation/notices/ppd/notice-637/mas-notice-637-effective-1-january-2026.pdf>

Additionally, ISDA proposes that RBI and SEBI encourage porting within their regulatory frameworks, as such regulatory support could itself serve as an additional indication that porting is highly likely.

### **Cross-Product Netting**

ISDA notes that the BCBS standard does not provide cross-product netting between derivatives and securities financing transactions (SFTs) under a standardised capital framework. ISDA considers this a gap of growing practical significance, especially in cases where cross-product margining arrangements are prevalent that reduce economic risk can counterintuitively increase capital requirements under the current standardised framework. ISDA is actively advocating for SA-CCR to be extended to recognise the risk-reducing benefits of qualifying cross-product netting agreements covering both derivatives and repo-style transactions, and has developed detailed technical proposals in this regard, as reflected in its June 2026 response<sup>8</sup> to the US Basel III re-proposal. ISDA considers this a global advocacy priority and flags this issue to RBI for awareness, welcoming early engagement as international thinking develops.

Thank you for considering ISDA's feedback. Should RBI wish to discuss our response, please do not hesitate to contact Panayiotis Dionysopoulos ([pdionysopoulos@isda.org](mailto:pdionysopoulos@isda.org)), Ulrich Karl ([ukarl@isda.org](mailto:ukarl@isda.org)), and Shule Peh ([speh@isda.org](mailto:speh@isda.org)) at ISDA.

Yours faithfully,

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

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<sup>8</sup> <https://www.isda.org/a/r8kiE/ISDA-SIFMA-IIF-Respond-to-2026-US-Basel-III-Proposal.pdf>