

Chief Risk Officer
The Clearing Corporation of India Limited

By Email: rmd@ccilindia.co.in

31 March 2016

Dear Sir/ Madam,

Re: Consultation on Collection of End of the Day Incremental MTM Margin on Cleared Trades in Various Business Segments

Introduction

The International Swaps and Derivatives Association, Inc.¹ (“**ISDA**”) appreciates this opportunity to respond to the above referenced Consultation on Collection of End of the Day Incremental MTM Margin on Cleared Trades in Various Business Segments (“**Consultation**”) published by the Clearing Corporation of India Limited (“**CCIL**”) on 1 March 2016.

We are in constant dialogue with our members, including global, regional and national financial institutions, end-users and many other financial market participants. Our comments are derived from this experience and our active involvement with regulators and clearinghouses in Asian jurisdictions such as Hong Kong, Singapore, Australia as well as other jurisdictions across the globe such as the United States and the European Union. We

¹ Since 1985, ISDA has worked to make the global derivatives markets safer and more efficient. Today, ISDA has over 850 member institutions from 67 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 ISDA's web site: www.isda.org.

note that our members may choose to make their own individual submissions to CCIL on this Consultation.

Response to the Consultation

- 1. Overview:** Subject to the concerns raised below, our members were generally supportive of the Consultation that amends the deposit cut-off time of incremental mark to market (“MTM”) margin of participants. Our members agreed that this amendment is in compliance with the *Principles of Financial Market Infrastructures* published by Committee on Payments and Market Infrastructures (“CPMI”) and the International Organisation of Securities Commissions (“IOSCO”) (“CPMI-IOSCO”) in that it intends to cover CCIL’s daily credit exposure to its participants by requiring incremental MTM margin to be debited immediately after it is computed at the end of day, providing for a timely collection of difference in MTM margin from its participants.
- 2. Operational Considerations:** As the Consultation recommends pulling forward the incremental MTM margin deposit cut-off time from the current 11:00AM the next day to either 19:30PM the day of calculation or 9:00AM the next day, the CCIL clearing participants would be put under a shortened timeframe to post incremental MTM margin. To accommodate this change, prompt and accurate notification to participants of their required margin amount is crucial to ensure sound operation and timely deposit. In this regard, we would like to raise the below operational considerations for a smooth and timely deposit of incremental MTM margin by participants:
 - Our members have indicated that at least 30-60 minutes advance notification of the incremental MTM margin amount would be needed to ensure timely deposit. We therefore request that the end of day margin reports for each CCIL clearing segment be made available, at the latest, by 18:30PM after end of day processing. We note that this is necessary to allow sufficient time for any margin shortfalls to be processed and posted by participants. It should be possible for CCIL to provide the end of day margin reports at 18:30PM, as trading stops each day at 17:00PM. This earlier receipt of the MTM information would facilitate transfer of margin amounts to be made by the deposit cut-off time 19:30PM. Members can arrange any funds, securities that they require to meet the margin calls, as soon as the ‘Evening LAF² Window’ starts at 19:00PM.
 - We also request that CCIL ensures that timings within the eNotice system and E-Kuber systems are synchronised. Any discrepancies between the two systems would heighten operational risk. We reiterate that timely and accurate notification from

² Reserve Bank of India’s Liquidity Adjustment Facility

CCIL of the required incremental MTM margin amount is crucial for participants under the shortened timeframe to post margin smoothly and without any errors.

- 3. Request for Additional Clarifications:** Our members would very much appreciate a description of the chronological steps to be followed on collection of end of day incremental MTM margin. The Consultation suggests amending the deposit cut-off time of end of day incremental MTM margin, but further to the Consultation, our members would be grateful if CCIL could provide a detailed timeline of actions to be taken by CCIL for margin call and settlement by participants.

We also seek further clarification from CCIL on the timeline for assessing the MTM margin during the day. It is evident from the Consultation that the end of day incremental MTM margin will be calculated for the outstanding trades at the end of the day. However, outside of the CCIL by-laws and rules, it is only indicated by the Consultation that CCIL would assess the applicability of MTM margin at “various points in time during the day”. For example, the Consultation states that Intra-day MTM margin is collected only if the MTM loss exceeds a pre-defined threshold resulting in significant erosion in the initial margin collected from the participants. We would appreciate more information on the timing during the day that CCIL assesses the MTM and erosion in the initial margin. Clarification of these issues is crucial for our members to ensure timely compliance with all margin requirements.

Conclusion

We thank you for the opportunity to respond to the Consultation. We would be very happy to discuss this matter further at your convenience. Please do not hesitate to contact Keith Noyes, Regional Director, Asia Pacific (knoyes@isda.org) or Hyelin Han, Assistant Director, Policy (hhan@isda.org, +852 2200 5900) if we may be of further assistance.

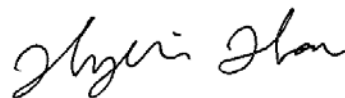
Yours sincerely,

For the International Swaps and Derivatives Association, Inc



Keith Noyes

Regional Director, Asia-Pacific



Hyelin Han

Assistant Director, Policy