

31 August 2018

BY E-MAIL and HAND

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

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

Dear all

**Withdrawal of Financial Resolution and Deposit Insurance Bill, 2017 – impact on final margin requirements**

The International Swaps and Derivatives Association, Inc. (“ISDA”)<sup>1</sup> and the Fixed Income Money Market and Derivatives Association of India (“FIMMDA”) (together, the “Associations”) are grateful to the Reserve Bank of India (“RBI”) for the continuous engagement with the Associations and industry participants on implementation of margin requirements for non-centrally cleared derivatives (“Margin Requirements”) in India.

We appreciate the opportunity provided to us by the RBI to highlight the concerns of the derivatives market participants with some of the margin requirements proposed by the RBI in the *Discussion Paper on Margin Requirements for non-Centrally Cleared Derivatives* issued in May 2016<sup>2</sup> (“2016 Margin Consultation”). These concerns are discussed in detail in the ISDA response to the 2016 Margin Consultation submitted on 8 June, 2016<sup>3</sup> (“2016 Margin Response”). Following the meeting with ISDA in March 2018, ISDA also highlighted some of the outstanding concerns in the letter to you dated 14 May, 2018<sup>4</sup> (“2018 Margin Letter”). We have highlighted these concerns in order to better align the RBI’s margin requirements with that of other Asian and global jurisdictions, keeping in mind the overall goal of strengthening resilience in the non-centrally cleared derivatives market.

In light of recent legislative developments relating to netting, we also reiterate our support for the decision taken by the RBI to postpone implementation of the margin requirements<sup>5</sup> until the issues identified by the 2016 Margin Response and the industry are addressed. We wish to request that the RBI to continue to postpone implementation until these issues are resolved, while also decoupling implementation of variation margin (“VM”) requirements with that of initial margin requirements (“IM”).

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<sup>1</sup> Since 1985, ISDA has worked to make the global derivatives markets safer and more efficient. Today, ISDA has more than 900 member institutions from 68 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](http://www.isda.org). Follow us on Twitter @ISDA.

<sup>2</sup> <https://rbidocs.rbi.org.in/rdocs/Content/PDFs/DPMR02052016ACC458CF292D4F5C876057C8BD2835D5.PDF>, RBI, Discussion Paper on Margin Requirements for non-Centrally Cleared Derivatives.

<sup>3</sup> <https://www.isda.org/a/BmiDE/india-submission-080616.pdf>, ISDA, Response to RBI Discussion Paper on Margin Requirements for non-Centrally Cleared Derivatives.

<sup>4</sup> Not publicly available as of date.

<sup>5</sup> [https://www.rbi.org.in/scripts/BS\\_PressReleaseDisplay.aspx?prid=37940](https://www.rbi.org.in/scripts/BS_PressReleaseDisplay.aspx?prid=37940), RBI, Implementation of margin requirements for non-centrally cleared derivatives.

While the 2018 Margin Letter highlighted a few areas of concern that we wished to bring to the RBI's attention, this letter from the Associations focuses on the importance of resolving and achieving consistency of netting application with specific reference to final margin requirements in India.

## **1. Importance of resolving and achieving consistency of netting application**

One of the main concerns that has been highlighted in the 2016 Margin Response as well as 2018 Margin Letter relates to resolving and achieving consistency of netting application in India.

We 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 "contract by contract" basis and not on a net basis<sup>6</sup>. As you may recall, ISDA had previously sent a letter dated 12 October, 2012<sup>7</sup> ("**2012 Netting Letter**") to the RBI to set out the view of the netting position in India. 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 ("**Companies Act 2013**"), or previous laws relating to companies, are subject.

As was highlighted in the 2018 Margin Letter, subsequent to the 2016 Margin Consultation, on 29 September, 2016 the Ministry of Finance ("**MoF**") issued a consultation on the draft Financial Resolution and Deposit Insurance Bill<sup>8</sup> ("**2016 FRDI Consultation**"). ISDA responded to the 2016 FRDI Consultation on 14 October, 2016<sup>9</sup> ("**2016 FRDI Preliminary Response**") and 4 November, 2016<sup>10</sup> ("**2016 FRDI Final Response**"). The Associations, along with industry representatives, also met with the MoF on 28 October, 2016 to discuss the draft provisions of the 2016 FRDI Consultation, including the proposed amendments to the Reserve Bank of India Act, 1934 ("**RBI Act**") in relation to the netting of mutual transactions in resolution, insolvency, winding up, or liquidation. The Associations and the industry are supportive of these amendments to the RBI Act, which was reflected in the 2016 FRDI Preliminary Response and 2016 FRDI Final Response. Subsequently, the *Financial Resolution and Deposit Insurance Bill, 2017*<sup>11</sup> ("**FRDI Bill 2017**") was introduced into the Lok Sabha, and referred to a Joint Parliamentary Committee ("**Parliamentary Committee**") on 10 August, 2017<sup>12</sup>.

It should be noted here that rights of mutual dealings and set off is a Common Law principle that is well recognized under Indian Law. Until the last few years, it was covered in a fragmented manner under separate statutes. In the case of multilateral transactions, netting is captured under the Payment and Settlements Systems Act, 2007 ("**PSS Act 2007**"). In the case of bilateral transactions, netting is captured under certain statutes directly, such as the individual insolvency laws such as the Insolvency and Bankruptcy Code, 2016 ("**IB Code 2016**"), while also by cross referencing other statutes such as the Companies Act 2013 which addresses this right. The introduction of the FRDI Bill 2017 would have consolidated the bankruptcy laws in India and improved the ease of doing business by according

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<sup>6</sup> <https://rbidocs.rbi.org.in/rdocs/Content/PDFs/DPMR02052016ACC458CF292D4F5C876057C8BD2835D5.PDF>, RBI, Discussion Paper on Margin Requirements for non-Centrally Cleared Derivatives, Page 7.

<sup>7</sup> <https://www.isda.org/a/6QiDE/india-submission-oct-12.pdf>, ISDA, Consistency of netting application to spur financial market growth.

<sup>8</sup> [https://dea.gov.in/sites/default/files/FRDI%20Bill-27092016\\_1.pdf](https://dea.gov.in/sites/default/files/FRDI%20Bill-27092016_1.pdf), Ministry of Finance, Committee Draft on the Financial Resolution and Deposit Insurance Bill, 2016.

<sup>9</sup> <https://www.isda.org/a/vmiDE/india-submission-101416.pdf>, ISDA, Preliminary submission to Ministry of Finance on Consultation on the draft Financial Resolution and Deposit Insurance Bill.

<sup>10</sup> <https://www.isda.org/a/dmiDE/india-submission-110416.pdf>, ISDA, Final submission to Ministry of Finance on Consultation on the draft Financial Resolution and Deposit Insurance Bill.

<sup>11</sup> [http://164.100.47.4/BillsTexts/LSBillTexts/Asintroduced/165\\_2017\\_LS\\_Eng.pdf](http://164.100.47.4/BillsTexts/LSBillTexts/Asintroduced/165_2017_LS_Eng.pdf), Parliament of India, The Financial Resolution and Deposit Insurance Bill, 2017.

<sup>12</sup> [http://164.100.47.194/Loksabha/Committee/CommitteeInformation.aspx?comm\\_code=72&tab=1](http://164.100.47.194/Loksabha/Committee/CommitteeInformation.aspx?comm_code=72&tab=1), Parliament of India, Joint Committee on the Financial Resolution and Deposit Insurance Bill, 2017.

recognition to the close out netting rights for financial market intermediaries. ISDA discussed this with Juris Corp, ISDA's netting counsel, and the view is that the amendments to the RBI Act proposed in the FRDI Bill 2017 will help resolve and achieve consistency of netting application in India.

## **2. Withdrawal of the FRDI Bill, 2017**

However, the Associations note with concern that the Report of the Joint Committee on the Financial Resolution and Deposit Insurance Bill, 2017 ("**FRDI Bill 2017 Report**") was submitted to the Lok Sabha on 1 August, 2018<sup>13</sup>. The FRDI Bill 2017 Report highlights that a notice for the motion of withdrawal was given by the Finance Minister on 23 July, 2018. The main reason highlighted by the Finance Minister for the withdrawal of the FRDI Bill, 2017<sup>14</sup> is that *"the stakeholders including public have raised apprehensions relating to the provisions of the FRDI Bill, like the use of bail-in instrument to resolve a failing bank, the adequacy of deposit insurance cover and the felt need to revise the insurance limit substantially, and application of resolution framework for public sector banks"*. The statement goes on to say that *"In view of the above, the legislative proposal to enact the FRDI Bill is being dropped and the FRDI Bill is being withdrawn from the Lok Sabha to enable further comprehensive examination and reconsideration of the subject"*.

From the above statement, it would appear that the overarching concerns and the reasons for withdrawal of the FRDI Bill 2017 relate mainly to the bail-in clause and deposit insurance. The FRDI Bill 2017 Report does not highlight any concerns with the netting aspects of the FRDI Bill 2017, or the amendments proposed to the RBI Act.

The FRDI Bill, 2017 was subsequently formally withdrawn in the Lok Sabha on 7 August, 2018<sup>15</sup>.

## **3. Impact on final margin requirements and proposed alternative solutions**

As discussed on multiple occasions with the RBI, and reiterated in the 2018 Margin Letter, the Associations would like to reiterate that requiring margin on a gross (and not net) basis would result in significantly higher costs and would be operationally cumbersome, and would also 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 and aligning the Margin Requirements with global standards in fulfilment of its G20 commitments.

We would also like to reiterate that collateralization of transactions on a gross basis in light of an assessment that netting is not "unambiguously clear", would only compound counterparty credit exposure. An illustrative example outlining such scenarios was provided in the 2018 Margin Letter and is repeated in **Annex 1** of this letter.

In this regard, it appears that the FRDI Bill 2017 is unlikely to be reintroduced in Parliament in the near future, for the reasons enumerated by the Finance Minister in the FRDI Bill 2017 Report. Therefore, the Associations welcome the RBI's suggestion of exploring various other measures to ensure greater

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<sup>13</sup> [http://164.100.47.193/lssccommittee/Joint%20Committee%20on%20the%20Financial%20Resolution%20and%20Deposit%20Insurance%20Bill,%202017/16\\_Joint\\_Committee\\_on\\_the\\_Financial\\_Resolution\\_and\\_Deposit\\_Insurance\\_Bi ll\\_2017\\_1.pdf](http://164.100.47.193/lssccommittee/Joint%20Committee%20on%20the%20Financial%20Resolution%20and%20Deposit%20Insurance%20Bill,%202017/16_Joint_Committee_on_the_Financial_Resolution_and_Deposit_Insurance_Bi ll_2017_1.pdf), Parliament of India, Report of the Joint Committee on the Financial Resolution and Deposit Insurance Bill, 2017

<sup>14</sup> [http://164.100.47.193/lssccommittee/Joint%20Committee%20on%20the%20Financial%20Resolution%20and%20Deposit%20Insurance%20Bill,%202017/16\\_Joint\\_Committee\\_on\\_the\\_Financial\\_Resolution\\_and\\_Deposit\\_Insurance\\_Bi ll\\_2017\\_1.pdf](http://164.100.47.193/lssccommittee/Joint%20Committee%20on%20the%20Financial%20Resolution%20and%20Deposit%20Insurance%20Bill,%202017/16_Joint_Committee_on_the_Financial_Resolution_and_Deposit_Insurance_Bi ll_2017_1.pdf), Parliament of India, Report of the Joint Committee on the Financial Resolution and Deposit Insurance Bill, 2017, page 3, paragraph 10.

<sup>15</sup> <http://164.100.47.193/bull1/16/XV/7.8.2018.pdf>, Parliament of India, Lok Sabha Bulletin, page 17, paragraph 18.

consistency in the application of netting in India. It should be noted that such alternative solutions should be viewed as interim measures until the FRDI Bill 2017 or its successor is reintroduced in Parliament.

#### **a. Alternative legislative solutions**

As highlighted in the 2018 Margin Letter, we have summarized the main sections of the RBI Act that we believe will need to be amended to ensure consistency in achieving close-out netting of transactions in resolution, insolvency, winding up, or liquidation. We have repeated these amendments in **Annex 2** of this letter. Please note that the language proposed in Annex 2 is indicative, and has been drafted along the lines of what is presently contained on netting in the FRDI Bill 2017. While the proposed language set out in Annex 2 amends the RBI Act specifically, we note that for the purpose of netting related amendments, amendments to the RBI Act and/or any other relevant legislation may be considered. The language in Annex 2 may be adapted accordingly in the relevant legislation which is proposed to be amended. The Associations would be happy to provide further assistance in this regard. We also welcome further engagement and discussion with the RBI on how best to enact these amendments.

As stated in the 2018 Margin Letter, one other possibility that may be considered is to enact the amendments through the PSS Act 2007, which explicitly provides for multilateral netting which will be enforceable in the resolution, insolvency, winding up or liquidation of any participant<sup>16</sup>. This would help to cover netting in relation to financial entities other than those covered by the RBI Act, and which do not fall within the purview of the Insolvency and Bankruptcy Code, 2016 such as insurance companies and mutual funds, among others.

#### **b. Alternative non-legislative solutions**

While the discussions with the RBI have focused mainly on legislative amendments, the Associations would like to note that there are also some non-legislative means by which the RBI can help to resolve and achieve consistency of netting application in India, specifically with respect to margin requirements. We would like to note that the alternative non-legislative solutions proposed should only be considered in the event that a legislative solution is not immediately viable in the timelines needed for final margin requirements.

However, it is worth reiterating that the position as of date is that the market is conscious of the fact that netting is a well enshrined common law principle of mutual dealing and set off, and recognized as such by Indian courts, while there is no statutory or regulatory recognition of the same in relation to financial market entities.

This has been alluded to by representatives of the RBI in the past, such as in an interview of former Deputy Governor Shri. H.R. Khan<sup>17</sup> where he stated “[...] 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 [...]”. This was also echoed in a speech by former Governor Shri. Raghuram Rajan<sup>18</sup>, where he stated that “[...] 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 [...]”. It is clear, therefore, that proposals to amend legislations such as the RBI Act have been considered and explored by the RBI.

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<sup>16</sup> See Section 2(e) in relation to multilateral netting to be read with Section 23(3) in relation to netting and settlement finality. Please also see Section 23(4) in relation to settlement (including netting) finality in case of insolvency or winding up of a system participant.

<sup>17</sup> <https://www.moneycontrol.com/news/business/markets/hr-khanwhyrobust-bond-market-ismust-for-india-977465.html>, Moneycontrol, “HR Khan on why a robust bond market is a must for India”.

<sup>18</sup> [https://www.rbi.org.in/Scripts/BS\\_SpeechesView.aspx?Id=1020](https://www.rbi.org.in/Scripts/BS_SpeechesView.aspx?Id=1020), Reserve Bank of India, “Strengthening Our Debt Markets”.

Certain circulars issued by the RBI in the past have also referred to netting. A full list of these circulars, prepared by Juris Corp, was provided in the 2018 Margin Letter and has been reproduced in **Annex 3** of this letter. This list also includes previous statements made by the RBI with respect to bilateral netting of counterparty credit exposures. We understand that these circulars were limited to expressing the RBI's views with respect to the need for maintaining gross positions with regards to the regulatory capital treatment of derivative transactions by banks.

Therefore, we request that the RBI consider confirming that there is adequate clarity with regards to the netting position in India as well as the accompanying issue of the enforceability of netting rights of financial market entities in insolvency scenarios.

We also request that the RBI clarify that the intent of the prudential norms circulars referenced in Annex 3 was merely to provide directions to banks with respect to the computation of transactions from a regulatory capital perspective, and would not apply to other aspects such as margin requirements.

We believe that a statement from the RBI confirming the points above can help to resolve and achieve consistency of netting application for the purposes of margin requirements. We also welcome further dialogue with the RBI on any other alternatives that could be considered and have not been highlighted here.

We would urge RBI to continue an open and constructive dialogue with the Associations and market participants on addressing the concerns we have highlighted here as well as previous submissions on this subject, as well as aligning the margin requirements with global margin rules to ensure that:

- i. there is no unintended consequence of market liquidity fragmentation; or
- ii. disincentivization of hedging activities; or
- iii. negative impact on economic growth.

The Associations would also like to reiterate that the RBI continue to postpone implementation of the final margin requirements until all of these issues are resolved, especially on resolving and achieving consistency of netting. We also request that the RBI provides the industry with sufficient implementation time once the final margin requirements are issued, to allow the industry to repaper all agreements to regulatory-compliant documentation.

The Associations thank the RBI for the opportunity to present the industry's concerns, and we welcome dialogue with the RBI on any of the points raised in this letter, as well as the previous related submissions. Please do not hesitate to contact ISDA via Keith Noyes, Regional Director, Asia Pacific ([knoyes@isda.org](mailto:knoyes@isda.org) or at +852 2200 5909) or FIMMDA via D.V.S.S.V. Prasad ([ceo@fimmda.org](mailto:ceo@fimmda.org) or at +91 22 2269 0321-26) should you wish to discuss any of these issues further.

Yours sincerely,

For the **International Swaps and Derivatives Association, Inc.** and **Fixed Income Money Market and Derivatives Association of India**



**Keith Noyes**  
Regional Director, Asia-Pacific  
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**D.V.S.S.V. Prasad**  
Chief Executive Officer  
FIMMDA

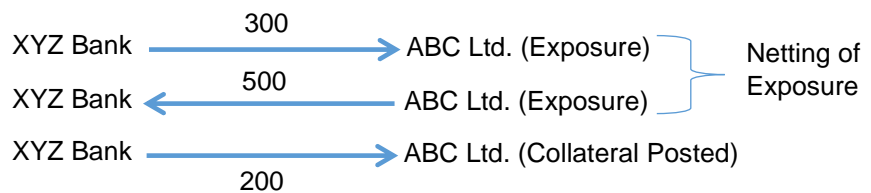
**ANNEX 1**

**Illustrative example of collateralization on a net vs. gross basis**

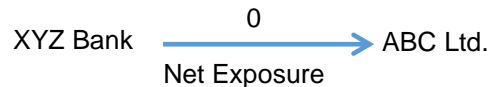
XYZ Bank has an MTM exposure of INR 300 to ABC Limited. ABC Limited has an MTM exposure of INR 500 to XYZ Bank. If netting is recognized (scenario 1), XYZ Bank has to post collateral of INR 200 to ABC Limited. If netting is not recognized and margin is on gross basis (scenario 2), XYZ Bank will post a collateral of INR 500 to ABC Limited and ABC Limited will post collateral of INR 300 to XYZ Bank. In this case, if ABC Limited were to go insolvent, XYZ Bank's exposure to it would be INR 800 due to collateral without netting. XYZ Bank would have been better off without collateral (scenario 3), as its exposure to ABC Limited would have been restricted to INR 500.

**Scenario 1:**

Netting of exposures:

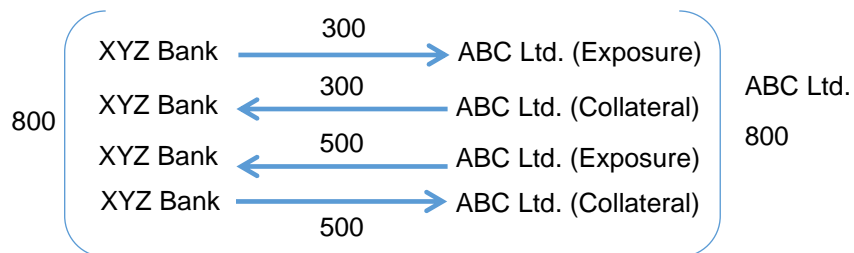


Insolvency of ABC Ltd:



**Scenario 2:**

Collateral on gross basis:

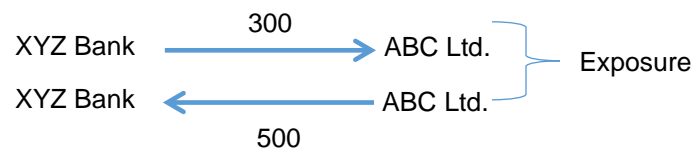


Insolvency of ABC Ltd:



**Scenario 3:**

No netting, no collateralisation:



Insolvency of ABC Ltd:





## ANNEX 2

### Proposed amendments to the Reserve Bank of India Act, 1934<sup>19</sup>

#### Netting of mutual transactions in resolution, insolvency, winding up or liquidation **Amendment to Reserve Bank of India Act, 1934 (2 of 1934)**

1. In section 45MC,

(i) in sub-section (1), for the words “the Companies Act, 1956 (1 of 1956)”, the words “the Financial Resolution and Deposit Insurance Act, 2016 ( of 2016) or the Insolvency and Bankruptcy Code, 2016 (of 2016), as the case may be” shall be substituted.

(ii) in sub-section (4), for the words “the Companies Act, 1956 (1 of 1956) relating to winding up of a company”, the words ‘the Financial Resolution and Deposit Insurance Act, 2016 ( of 2016) or the Insolvency and Bankruptcy Code, 2016 (of 2016), as the case may be, relating to winding up’ shall be substituted.

2. After section 45X, the following section shall be inserted, namely: -

“ 45XA (1) Notwithstanding anything to the contrary contained in any other law for the time being in force or any rule, regulation, scheme, direction or order that may be issued under any law or any order of a court, tribunal or other authority, where one of the parties to the specified transaction is a party referred to in section 45V, netting shall be applicable in the event of resolution, insolvency, winding up or liquidation of a party to such transaction, including a bank or a financial institution.

Explanation: For the purposes of this sub-section, -

(i) “netting” means determination of any payment or other obligation arising out of any exposure, including an exposure from specified transactions between the parties, whether or not due or payable, by set off or adjustment between the parties and whereby a net obligation is arrived at;

(ii) “specified transaction” means a transaction in securities, money market instruments, foreign exchange, derivatives or such other instruments or transactions.

(2) For the purpose of netting under sub-section (1), the following shall be taken into account –

(a) the value of cash or security or collateral provided by either party or other person and which is not a security interest and the proceeds of sale of securities available with either of the parties to the transaction; and

(b) the current value of payment or other obligations due at a future date arrived at by prematurely terminating the transactions.

(3) The amount payable or other claims that may be made, determined under sub-section (1) and subsection (2), shall be final and irrevocable and shall be binding on the liquidator, receiver or trustee, by whatever name called, of the party in resolution, insolvency, winding up or liquidation.

(4) Notwithstanding anything to the contrary contained in any agreement or contract between the parties, for the realization, appropriation and/or liquidation of any collateral (referred to in 2)(a) above) to determine the amount payable or other claims that may be made under sub-section (1) and sub-section (2), no prior notice to or consent of the party in resolution, insolvency, winding up or liquidation or its liquidator or receiver or trustee, by whatever name called shall be required.”

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<sup>19</sup> The language proposed in Annex 3 is indicative, and has been drafted along the lines of what is presently contained under the FRDI Bill on netting. While the proposed language set out here amends the RBI Act, we note that for the purpose of netting related amendments, the RBI Act, the Payment and Settlement Systems Act and/or any other relevant legislation may be considered. The language in Annex 3 may be accordingly adapted in the relevant legislation which is proposed to be amended. We would be happy to provide our assistance in this regard.



### ANNEX 3

#### 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	<i>“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.”</i>	1/10/2010	<a href="#">Link</a>
2.	Bulletin : Regulatory and Other Measures	<i>“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.”</i>	12/11/2010	<a href="#">Link</a>
3.	Circular : Prudential Norms for Off-balance Sheet Exposures of Banks	<i>“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.”</i>	11/08/2011	<a href="#">Link</a>
4.	Bulletin : Regulatory and Other Measures	<i>“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.”</i>	13/09/2011	<a href="#">Link</a>
5.	Speech : Legislative Reforms- Strengthening Banking Sector – Anand Sinha	<i>“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.”</i>  <i>“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.]”</i>	12/01/2012	<a href="#">Link</a>
6.	Master Circular : Prudential norms on Income Recognition,	<i>“Since the legal position regarding bilateral netting is not unambiguously clear, receivables and payables from/to</i>	01/07/2014	<a href="#">Link</a>

Sr. No.	Topic	Extract	Date	Link
	Asset Classification and Provisioning pertaining to Advances	<i>the same counterparty including that relating to a single derivative contract should not be netted.</i>		
7.	Discussion Paper on Margin Requirements for non-Centrally Cleared Derivatives	<i>“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.”</i>	02/05/2016	<a href="#">Link</a>
8.	Interview: Corporate Debt Market - Mr. H. R. Khan	<i>“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.”</i>	01/08/2016	<a href="#">Link</a>
9.	Speech: Strengthening Our Debt Markets - Dr. Raghuram G. Rajan	<i>“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.”</i>	26/08/2016	<a href="#">Link</a>
10.	Notification: Guidelines for Computing Exposure for Counterparty Credit Risk arising from Derivative Transaction	<i>“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.”</i>	10/11/2016	<a href="#">Link</a>