



AMC Repo Clearing Limited

Master Circular – PART A

October 2024

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1 Introduction

AMC Repo Clearing Limited (ARCL/Clearing Corporation) is a Limited Purpose Clearing Corporation (LPCC), recognised by SEBI under the SECC Regulations, 2018, to provide clearing and settlement services with guaranteed settlement for repo trades in corporate debt securities. RBI has also granted authorization to ARCL under Payment and Settlement System (PSS) Act, 2007, to offer Central Counterparty (CCP) services for repo transactions in corporate debt securities. RBI has also approved ARCL to act as a Tri-party Agent for tri-party repos in corporate debt securities.

2 Definitions

Repo deals: “Repo deals” are trades executed on the Tri-party Repo Market (TRM) platform in Debt Segment of the National Stock Exchange of India Ltd (Exchange).

Clearing Members: Clearing Members for this purpose shall mean the Members of Repo Segment of ARCL who may participate in repo transactions for its own proprietary book and/or on behalf of its clients.

Client: Clients include Participants, Constituents and may also include proprietary account of Member.

Participant: Participant is a client who is registered with ARCL through Clearing Member. However, Participant is the entity who manages collateral directly with ARCL and also settle its fund obligations directly with ARCL.

Constituent: Constituent is a client who is registered with ARCL through Clearing Member. The constituent is the entity who manages collateral directly with ARCL but would settle fund obligations through the Clearing Member.

Ready Leg: Ready Leg is the first leg in a Repo transaction in which the member/client borrows/lends funds against the collateral/margin transferred to the Clearing Corporation for the trades to be executed on the TRM platform of the Exchange.

Forward Leg (Repo maturity): Forward Leg is the second leg of repo transaction or reversal leg of Ready Leg Repo transaction whereby the member/client who has borrowed fund in the first leg is obliged to return the funds borrowed in the Ready leg of the Repo transaction.

Repo Tenor: Repo tenor means the number of days for which the borrowing or lending is undertaken.

Repo Rate: Repo Rate is the annualized rate for the fund borrowed or lent for the repo tenor.

T+0 Settlement: T+0 settlement indicates that the Ready Leg Repo deal shall be settled on the trade date i.e. same day settlement.

T+1 Settlement: T+1 settlement indicates that the Ready Leg Repo deal shall be settled on the business day immediately succeeding trade date i.e. next business day settlement.

Settlement Obligation: Settlement Obligation means the actual amount payable or receivable by the Clearing Members/Clients for the settlement.

Tri-party Repo: Triparty Repo means a repo contract where a third entity (apart from the borrower and lender), called a Tri-party Agent, acts as an intermediary between the two parties to the repo to facilitate services like collateral selection, payment and settlement, custody and management during the life of the repo transaction.

3 Product

RBI has accorded approval to ARCL to act as a triparty repo agent and to offer triparty repo in corporate debt securities.

The product specification for tri-party repo is given below:

Product Attributes	Description
Repo type	Basket Repo. Baskets would be constituted based on the combination of rating, issuers, bond category etc. The Baskets that are available for trading are given in Part B of this circular.
Instrument Type	Discounted instrument i.e. discounted consideration in the ready leg and trade value as consideration in the forward leg
Repo Tenor	From one day to 365 days. Currently, repo tenor will be available for maximum of 7 calendar days with daily maturity.
Contract size	Minimum Rs.5 lakh and in multiples of Rs.5 lakh
Ready leg Settlement cycle	T+0 and T+1
T+0 Trading Time	9:00 am to 1:00 pm
Quotation	Interest rate in percent with a tick size of 1 basis point
Single Order value / Quantity Freeze	INR 250 Crores
T+1 Trading Time	9:00 am to 5:00 pm
Pay-in & Pay-out Time	2:15 p.m. & 3:00 p.m. respectively
Operating Range	+/- 300 basis point of Base Rate

4 Trading

In terms of SEBI circular dated November 6, 2020, ARCL has entered into an agreement with National Stock Exchange of India Ltd (NSE) – “specified stock exchange” for trading of ARCL’s triparty repo product on their trading platform under triparty repo of the Debt Segment. NSE, vide its circular dated No. NSE/DS/57672, dated July 21, 2023, has provided details of trading in tri-party repo platform.

5 Clearing & Settlement

In terms of SEBI Circular dated November 06, 2020, ARCL has entered into an outsourcing arrangement with NSE Clearing Limited (NCL) for the purpose of clearing and settlement and related activities by using their core and critical IT infrastructure. In view of such an outsourcing arrangement, the trades executed on NSE are cleared by ARCL through outsourced entity NSE Clearing Ltd. (NCL). For clearing and settlement of trades in Repo segment, ARCL provides the settlement calendar on a monthly basis.

6 Membership

Currently, for participating in the tri-party corporate bond repo, “trading cum self-clearing membership” is provided to the eligible entities. The trading cum self-clearing member may participate in repo transactions for its own proprietary book and/or for its clients.

- Trading membership shall be with the specified stock exchange through which it proposes to trade. Trading membership will be governed by the byelaws, rules and regulations of the specified stock exchanges. For obtaining trading membership, the applicant will be required to complete the necessary documentation with the NSE from where they will execute the trades.; and
- Clearing Membership shall be with ARCL for clearing and settlement. Clearing Membership will be governed by byelaws, rules and regulations of ARCL.
- The eligibility criteria for ARCL Membership is available on link [Membership Criteria \(arclindia.com\)](https://www.arclindia.com/membership-criteria)
- In order to ensure that the email received by ARCL is from an authorised person, the members/participants are requested to submit the department wise contact details of persons who are authorised to send / receive e-mail. The details should be provided on the letterhead, duly signed by authorised signatories in the format provided in the PART B of this master circular. Also the circular for the same is available on ARCL website in the link <https://www.arclindia.com/circulars>

6.1 Clearing Membership Eligibility Criteria

Member Category	Net worth (Rs. In Cr) & Other Conditions
Primary Dealers	• Rs. 150 Crs and above
Scheduled Commercial Bank	• Rs. 500 Crs and above • CRAR 11.5% and above
Trading Members	• Minimum Net worth as per SEBI guidelines • Profit making as per the latest audited financial statement
Insurance Companies	• Rs. 100 Crs and above • 150% Solvency margin
Asset Management Companies	• As per SEBI Guidelines

- For Clearing Membership with ARCL, necessary documents are required to be submitted to ARCL for registration as well as for enablement along with ARCL admission fee, SEBI Annual fees and interest free deposits. The details of the document along with the procedure for registration and enablement of clearing membership is provided on ARCL website in the given link: <http://arclindia.com/documentation>.
- After submission of documents by eligible entities, ARCL will process the documents and inform the status of admission to the entity through a letter and/or email.
- Upon successful admission of an entity, ARCL will activate the entity for triparty repo transaction subject to fulfilment of conditions as specified by ARCL in the admission letter.

7 Clients Registration

As per Repurchase Transactions (Repo) (Reserve Bank) Directions, 2018- Amendment dated November 28, 2019, the following are eligible to participate in repo transaction:

- a) Any regulated entity.
- b) Any listed corporate.

- c) Any unlisted company, which has been issued special securities by the Government of India, using only such special securities as collateral.
- d) Any All-India Financial Institution (FIs) viz. Exim Bank, NABARD, NHB and Small Industries Development Bank of India (SIDBI), constituted by an Act of Parliament; and
- e) Any other entity approved by the Reserve Bank from time to time for this purpose.

These eligible entities (as prescribed by RBI) who are allowed to participate in repo in corporate debt securities and which are not permitted to take membership on stock exchanges/clearing corporation and those eligible entities which do not want to take membership on stock exchanges/clearing corporation may participate in repo transactions as clients of trading member(s)/clearing member(s). There are two categories of clients namely “Participant” i.e. Direct Clients and “Constituents” i.e. indirect clients.

7.1 Participants¹ / Direct Clients:

This category of clients will take registration through the trading member / clearing member for participating in repo transactions. In this approach, the Participant shall be responsible for collateral/margin and settlement. With the consent of the clearing member, a Participant will manage collateral and/or margin (i.e., deposit and withdrawal) directly with the clearing corporation from its demat account and bank account respectively without routing through the clearing member; and carry out settlement of funds directly with the clearing corporation in its own settlement bank account without routing through its clearing member’s account.

The process flow for transfer of collateral & margin, settlement of funds for Participant is similar to the process flow for clearing members of ARCL and the details are given in subsequent paragraphs.

To register as “Participant”, the necessary documents are required to be submitted to AMC Repo Clearing Limited through clearing member along with admission fee and interest free deposits. The details of the documents along with the procedure for registration is provided on ARCL website in the link: <http://www.arclindia.com/clientsdocumentation/participants>.

7.2 Eligibility Criteria for “Participant”

Participant Category	Networth (Rs. Cr) & Other Conditions
Scheduled Commercial Banks	- Net worth of Rs. 500 Crs and above - CRAR 11.5% and above
Primary dealers	Rs. 150 Crs and above
Mutual Funds	As Per SEBI Guidelines
NBFCs	- NBFCs having Asset Size above Rs. 100 Crs - Positive net worth - Profit making as per the latest available financial statement.
Insurance Companies	- Net worth of Rs.100 Crores and above - Solvency margin 150% or more
All India Financial Institutions	Positive net-worth and profit making as per the latest audited financial statements

¹ Please refer Gazette Notification of Securities Exchange Board of India (SEBI) Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Second Amendment) Regulations, 2023, Securities and Exchange Board of India (Stock Brokers) (Second Amendment) Regulations, 2023 attached as Annexure 1 & Annexure 2 respectively

Participant Category	Networth (Rs. Cr) & Other Conditions
Listed Corporates	- Net worth of Rs. 5,000 Crs and above - Profit making as per the latest financial statement.
Co-operative Banks	- Net worth of Rs. 500 Crs and above - Profit Making as per the latest financial statement.
SEBI Regulated Entities other than Stock-Broker and Mutual Funds	- Networth as specified by SEBI from time to time for the respective category of entities. - Profit making as per the latest financial statement.
SEBI Regulated Entities (Stock-Brokers)-Other than Members of NSE Debt Segment	- Active trading membership with any segment of recognised Stock Exchange OR active trading membership with any segment other than Debt segment of NSE. - Net worth as specified by SEBI from time to time for the membership of Debt segment of the Exchange. - Profit making as per the latest audited financial statements.

Note:

a. Net worth should be calculated as per methods provided by their respective regulators.

b. Any other criteria as specified by ARCL from time to time.

c. ARCL will have discretion to decide on Participants on case-to-case basis.

The registration with ARCL is mandatory for all clients i.e., “Participant”. ARCL will provide the unique “Participant Code” (CP Code) to each client. The client must use the same CP code at the time of trading. ARCL also provide Primary member code which will be used for clearing and settlement.

Further, it is mandatory for all clients (including proprietary trading member) to have membership of F-TRAC platform for corporate bond repo, managed by Clearing Corporation of India Ltd. (CCIL). For trades executed in Tri-party repo product, F-TRAC reporting will be done by ARCL on behalf of Members/clients.

Currently, Tri-party repo will be allowed only for proprietary trading members and Participants. Tri-party repo for “Constituents’ will be made available subsequently.

8 Collateral / Margin

Chapter IV of Repo Segment Regulations of ARCL refers to the collateral and margin contribution to be made by the members and clients.

8.1 Collateral/Margin by Members / Clients

The collateral/margin shall be towards the following requirement.

- Lending position
- Borrowing position

8.1.1 Lending positions

Member/Client desirous to enter Lend Repo deals shall be required to provide margin in the form of cash. Such margin shall be deposited upfront i.e. before submitting Lend Repo order on the TRM platform. Only those lending orders that satisfy the margin requirement vis-a-vis cash collateral deposited by the Clearing Member/Client will be accepted for matching.

8.1.2 Borrowing positions

Member / Client desirous to enter Borrow Repo deals shall be required to provide eligible corporate debt securities as specified by Clearing Corporation from time to time. Such collateral shall be deposited upfront i.e. before submitting Borrow Repo order on the TRM platform. Only those borrow orders that satisfy collateral requirement will be accepted for matching. Each eligible security is assigned/mapped only to one basket repo. The borrowing limit will be assigned to the basket repo in which the security is mapped. Further, the basket for the eligible collateral will be based on the latest lowest instrument level rating of the issuer.

9 **Eligible Corporate Debt Securities as Collateral**

ARCL will specify the list of eligible securities which shall qualify for collateral contribution for borrow position. ARCL will publish the list of eligible securities on its website by 29th of every month which will be effective from the 1st day of subsequent month. ARCL may modify the list of eligible securities during the month based on new additions, rating modifications, etc. The updated list of eligible securities (ISIN) as collateral will be available on AMC Repo Clearing Limited website on link: <https://www.arclindia.com/collateral> under “Eligible Securities” tab. Members/Clients are requested to refer the above link regularly for updated list eligible securities as collateral for tri-party repo.

Clearing Corporation will make eligible securities in-eligible based on parameters like corporate action, change in rating, minimum residual maturity etc. and such securities declared as ineligible will not be reckoned for collateral contribution by the Clearing Members from the effective date of such ineligibility. Kindly refer to “Handling of Corporate Action for Eligible Securities Provided as Collateral” section for additional information.

Clearing Corporation may, at its discretion, specify the maximum amount of a single security or group of securities that a Member/Client may deposit by way of collateral contribution.

It shall be the responsibility of the Member/Client to ensure that its exposures on the outstanding deals are fully covered by the value of the collaterals maintained by it with Clearing Corporation.

Members cannot place Securities issued by their associates, subsidiaries, holding or group companies as collateral.

Members / Clients shall be required to transfer the eligible securities as collateral to ARCL Settlement pool account as specified in point 9.2. Members / Clients shall give the collateral addition and release request through ‘ARCL Connect’ interface and also send the e-mail request to operation@arclindia.com. The format for addition and release of collateral will be provided in ARCL website under collateral. <https://www.arclindia.com/collateral> under “Addition/Release” Tab.

9.1 **Handling of Corporate Action for Eligible Securities Provided as Collateral**

Corporate Bonds will be made temporarily ineligible 45 days before the date of corporate action such as interest payment, put/call option etc. Such ineligible security is again made eligible on the 2nd business day of the corporate action date.

However, in case record date of corporate action is available or made available by market participants to the clearing corporation, the security will be made ineligible 10 days before record date instead of

45 days before the date of corporate action. Further, the security will be made eligible on the 2nd business day of the record date instead of day following the corporate action date. Valuation for such securities between record date till corporate action date will be done on ex-interest basis.

Commercial paper and certificate of deposits will be made ineligible 10 days before the maturity date.

9.2 Process for transfer of securities

A Member/Client desirous of borrowing shall transfer eligible securities as per the procedure specified by ARCL from time to time. These bonds shall be transferred upfront i.e. prior to submitting borrow orders on the trading platform of the exchange. The Member/Client shall maintain a DEMAT account with a Depository Participant of the depository (currently with National Securities Depository Limited (NSDL)) for the purpose of transferring collaterals to the ARCL settlement pool account. Currently, member/participants can map single demat account for transferring collaterals to the ARCL.

Members / Clients are required to transfer securities towards collateral requirement, from their existing DEMAT account maintained with the depository (currently with NSDL only) to ARCL Settlement Pool account for borrowing in Tri-party repos.

Clients (like Mutual Funds) who have multiple demat accounts for their schemes, is required to open a separate BO account (currently with NSDL) for Tri-party Repo and transfer securities from schemes to BO account and from that BO account to ARCL Settlement Pool account.

Members / Clients shall send a request through 'ARCL Connect' interface and send an email to **operation@arclindia.com** for collateral deposit intimation. The format for addition and release of collateral will be provided in ARCL website under collateral. <https://www.arclindia.com/collateral..>

Members/Clients are required to transfer securities towards collateral requirement to the below mentioned settlement pool account of Clearing Corporation for participating in Repo deals from their NSDL beneficiary account. While transferring securities, the Member / Client should transfer securities with settlement type and settlement number as specified by ARCL from time to time.

DP ID	IN001192
Client ID	10000012
Market Type	TR (TRI PARTY REPO CORP BOND)
CM Name	AMC Repo Clearing Limited
Settlement number*	As per settlement Calendar

*Month wise Settlement calendar is available on ARCL website under the head download>circulars (<https://www.arclindia.com/circulars>). Member/Client is required to enter the settlement number corresponding to date on which security is transferred to ARCL demat account.

9.3 Withdrawal and substitution of securities:

Member/Client shall be entitled to withdraw securities from its collateral contributions. ARCL shall allow such withdrawal of securities provided the remaining value of securities is sufficient to cover the outstanding obligations of the concerned Member/Client. ARCL provides a facility to the Members/Client to submit securities withdrawal request by sending a release request through 'ARCL Connect' interface and send an email at operation@arclindia.com. The securities shall be released in batches by AMC Repo. Member/Clients are requested to note the following with regards to Withdrawal and Substitution Request,

- a) ARCL will transfer the securities from ARCL Settlement Pool account to Members/Clients demat account.
- b) Member/Client will be entitled to substitute securities deposited as collateral contribution with the eligible securities as specified by AMC Repo from time to time. For substitution of collateral, a member/client shall deposit eligible collateral first and then submit withdrawal request for the collateral already deposited with clearing corporation.
- c) Substitution shall be allowed only if the borrowing outstanding of the Member/Client remains fully covered with the substitution of securities.
- d) The Member/Client shall be responsible for ensuring that its exposure for the outstanding deals is fully covered by the value of collaterals maintained by it with ARCL.
- e) Members/Clients shall monitor securities deposited as collateral to ensure that the securities due for redemption/corporate action are withdrawn as per the timeline specified by the ARCL from time to time and substituted by eligible securities of equivalent value, if needed. In the event of Member/Client not withdrawing such security, Clearing Corporation will transfer such securities back to the demat account of the Members/Client in case such securities are not utilized for borrowing. The Member / Client can make the request for release or substitution of securities within the time specified by ARCL. The member/client can send the request for addition and/or release of collateral by 5:00 pm. for same day addition/release of collateral.

9.4 Process for Transfer/Release of Cash Margin

Members/Clients desirous of lending in repo transaction shall provide a cash margin at the rate 0.50% (for repo tenor up to 7 days) of lending value by transferring the amount to the settlement bank account maintained with the clearing banks.

- a) This instruction for addition and release of Cash margin/collateral request shall be provided through “ARCL Connect” interface. The funds towards margin should be transferred to member/clients respective settlement bank account only.
- b) Based on the request from clearing member/client, ARCL will pull money from the settlement bank account to ARCL margin account.
- c) The benefit of such cash deposit requests shall be subject to bank confirmation from the respective clearing bank.
- d) Facility is provided to clearing member/client to release margin during the day. Member/client shall request for release of cash margin by sending the request through “ARCL Connect” interface.
- e) The release of the cash margin subject to the remaining margin is sufficient to cover outstanding positions of the concerned Clearing Member/Client. The release of the cash margin will be done in batches. The margin will be released to the settlement bank account of the member / client.
- f) The clearing member / client can provide the request for margin release within the time specified by ARCL. The clearing member/client can send the request for addition and/or release of margin by 3:00 pm for same day addition/release of margin.

AMC Repo Clearing Limited (ARCL) has launched Beta version of “ARCL Connect” a web-based back-office portal. The portal aims to facilitate members and participants to provide addition and release of collateral and margin requests seamlessly through the web-based platform.

For creation of admin login ids in the “ARCL Connect”, members & participants are required to send the details at operation@arclindia.com in the below format The admin user credentials will be sent to the email id, provided by clients.

Member Name / Participant Name	
PAN Details (If applicable)	
CIN	
Legal Entity Identifier (LEI)	
Admin Username	
Admin user email id	
Admin user phone	
Admin user mobile no.	

10 Valuation of Collateral

The securities transferred by the members/client as collaterals will be valued as below:

Value of Security = (Clean price + Accrued Interest) – Applicable Haircut

For calculation of accrued interest, “Actual/Actual” day count convention will be used.

Example	
Face Value of the Security: A	= 100000
Market Price of the Security: B	= 101
Market Value of the Security: C	= A X B = 100000 X 101/100 = 101000
Accrued Interest of the Security: D	= 1000
Haircut % applicable for the security: E%	= 10%
Hair-cut Value of the Security: F	= (C+D) X E% = (101000 + 1000) X 10% = 10200
Eligible Borrow Value of the security: G	= C + D – F = (101000 + 1000 – 10200) = 91800

11 Margin Requirement

11.1 Margin requirement for Lending

The margin rates for Repo deals shall be arrived at based on a model as may be decided by Clearing Corporation from time to time.

- To begin with the margin rate applicable for the Lend Repo deal shall be 0.50% (for repo tenor up to 7 days) on the lending amount.
- The margin applicable to the extent of net lending position for each maturity date within each basket is as decided by Clearing Corporation from time to time.
- In case clients have a receivable position on account of forward leg settlement, clients are allowed to take lend position against such receivable position without any additional margin.

11.2 Collateral requirement for Borrowing

The Collateral required for borrowing shall be as under:

Forward leg obligation =	Trade Value
Ready leg consideration =	Forward Obligation / [1 + (repo rate*repo tenor/365)]
The repo amount will be computed based on Actual/365 day-count convention.	

Example: traded value Rs.100 crore for one day at repo rate of 8% per annum.

Ready leg consideration =	$100 / (1 + (0.08 * 1/365)) = \text{Rs.}99.9780870 \text{ crore.}$
Forward leg payable	Rs.100 crore.

The collateral blocked shall be to the extent of net borrowed position at the forward leg for each maturity date within each eligible basket as decided by Clearing Corporation from time to time.

In the above example, margin is blocked 0.5% of Rs.99.9780870 crore and collateral are blocked for face value of Rs.100 Crore.

11.3 Mark to Market Margin

Bonds deposited towards collateral contribution by the members/clients will be marked – to – market on a daily basis. ARCL will make a margin call in case the value of such securities falls short of the outstanding borrowing position of the clearing member/client. Further, ARCL may require its members/clients to provide additional collateral in case there is a sudden increase in the volatility of the bond or change in the ratings of the bonds. ARCL may also impose any such additional collateral requirement at any time during the day. In any such events, if it is observed that the collateral balance of the clearing member/client is inadequate to cover the requirement on account of existing borrowing, the clearing member/client will be required to replenish the shortfall as MTM margin as directed by ARCL.

Mark-to-market margin shall be payable by members and shall be paid before 8.30 a.m. on the next business day, or such other time stipulated by ARCL depending on the event that has led to the deterioration in the value of collateral. Mark to market margin in case of borrowers will be collected in form of eligible securities and in the instances where the borrowers do not have the eligible bonds, then they will have an option to provide cash. Such cash can be provided into the settlement bank account and intimate the same to ARCL. Failure to provide such an additional contribution by the members/clients within the stipulated time shall be treated as a violation and will be handled as per byelaws, rules and regulations of ARCL.

12 Settlement Obligation

12.1 Obligation generation

Details of computation of funds settlement obligations is as under:

- Repo Deals
- Settlement shall be on a net obligation basis.
- A net obligation shall be generated comprising following legs:
 - Current day trade with Ready leg settlement T0
 - Previous day trade will Ready leg settlement T1
 - Previous day's trade with forward leg settlement

12.2 Auction Settlement

Settlement shall be on a net obligation basis.

12.3 Rollover of Borrowing Position

- To facilitate members/client to borrow against the same collateral used for existing borrowing.
- Rollover can be done on the forward leg settlement day for the original borrow positions payable.
- Rollover can be done for the tenor which may be same or different from the original transaction.
- Collateral shall remain blocked till the settlement of forward leg of the rollover position.
- In case the rollover order requires any additional collateral, then such an order shall only be accepted if additional collateral is made available.
- The members/client can use the roll-over borrow order facility provided by NSE for the same.

12.4 Funds Settlement

The funds settlement will happen through the clearing banks. The list of clearing banks is made available on ARCL website. The clearing members / Participants will be required to open a Settlement Current account with any one of the empanelled banks for the purpose of settlement.

The nomenclature to be used for opening a settlement account with the clearing banks is ARCL Settlement Account. For example, in case the entity name of the Clearing member/ Participant is XYZ Bank Limited, then the settlement account will be opened in the name of entity i.e. name of clearing member/ Participants-ARCL Settlement account i.e. "XYZ Bank Limited – ARCL Settlement Account". The constituents will also be required to open settlement account with a clearing bank for the cash margin purpose.

12.5 Pay-in / Pay-out of Funds

The pay-in of funds will be done by 2.15 p.m. and pay-out of funds will be done by 3.00 p.m.

The funds pay-in and pay-out will be through the clearing banks designated by ARCL. Net obligations of members/participant will be sent by ARCL to the clearing banks. The pay-in process will be initiated first followed by pay-out of funds. Clearing banks will debit members/participant account having payable position and credit member/participant account having receivable position.

On the settlement date, the Clearing member/Participant having payable position shall have clear funds in their settlement bank account on or before the cut-off time i.e., before 2:00 p.m. Collateral/margin of the clearing member/client blocked towards the settlement obligation if any, shall be unblocked on completion of the settlement.

The settlement bank account opened by members / participant with the respective clearing banks will be used solely for the purpose of margin and settlement of trades done in Tri-party repo in corporate debt securities & settled through ARCL.

12.6 Allocation of securities to lenders

After successful completion of settlement, ARCL will generate a report for net lenders by allocating the value of securities to lenders equivalent to the amount lent by them.

Please note that the securities will be only allocated randomly to the lenders, and it will not be transferred to lender BO account.

13 Shortages Handling

In terms of Chapter IX of Repo Segment Regulations, an instance of shortage may arise on account of failure on part of the clearing member/participant to deliver funds due from it on the settlement date. The mode of handling shortages will be as decided by ARCL from time to time and the decision of ARCL shall be binding on all the Clearing Members/Clients.

ARCL will initiate all measures that are prudent, practicable and necessary to meet the funds shortage to ensure that the deals are settled, and all the non-defaulting Clearing Members/Participants receive funds due to them. However, there might be instances where shortage allocation to non-defaulting members/participant might be done.

13.1 Lender commits shortage in the ready leg

In case of shortages by lender, the shortage of funds will be met from the line of credit arrangements made by ARCL with clearing banks / own funds / Core SGF, to complete the settlement for members. Subsequently, position, if required, will be auctioned and any adverse difference between the traded repo rate and the auction rate will be collected from the initial margin contribution of the concerned lender who has committed shortage. In case, line of credit is not sufficient, then there could be a temporary shortfall allocation to members in proportion to their net receivable value for the day and the settlement would be completed. The shortage will be allocated in below mentioned priority –

- a) Matching borrowings in similar tenor and underlying repo basket
- b) Lending 2nd leg as the part of gross pay-out
- c) Borrowers' 1st leg (except matching borrowings).

The entire settlement will be carried out post allocation.

13.2 Borrower commits shortage in the forward leg:

In case of shortage by borrower, the shortage of funds will be met from the line of credit arrangements made by ARCL with clearing banks / own funds / Core SGF, so as to complete the settlement for members. In case borrower fails to repay the shortage amount within the stipulated time as specified by ARCL, the collateral given by the shortage member will be liquidated and the proceeds will be utilized to repay the line of credit. In case the line of credit is not sufficient, there could be temporary shortfall allocation to members and the allocated amount will be repaid to the affected members with appropriate compensation. The shortage will be allocated in below mentioned priority:

- a) Allocation to members on a/c of lending repayment
- b) Members having net pay-out on account of borrowings 1st leg as part of gross pay-out

The entire settlement will be carried out post allocation.

13.3 Mark-to-market (MTM) Margin shortfall:

ARCL will do daily valuation of securities in order to ensure that sufficient collateral value (net of haircut) is available to support outstanding borrowing. In case of any depletion in the collateral value OR in case of any downgrade/credit event in a security, then the concerned borrower will be asked to top-up/substitute the depleted value/collateral.

If the borrower fails to top-up / substitute, ARCL will then close out the outstanding position (maybe to the required extent) against lenders having position in that maturity in the ratio of their positions.

A penalty will be collected from the concerned borrower and the affected lenders would be compensated adequately for such premature close out. The borrower needs to provide the MTM margin shortfall by 8:30 am next day or within any other time specified by ARCL from time to time.

Borrower having MTM margin up to Rs. 5,00,000, may provide additional collateral anytime during the next business day. Such MTM shortfall up to Rs. 5,00,000 at borrower level will not be treated as violation. In case borrower has MTM margin above Rs. 5,00,000, then it is mandatory for borrower to provide full MTM margin before 8:30 am.

14 Risk Management

To guard against various types of risks, ARCL has implemented the following risk mitigation control measures: The risk mitigation measures will be reviewed periodically and may be revised depending on risk perceptions and risk parameters subject to the approval of relevant authority.

14.1 Order Level Risk Management

There is order level risk management. Only those lending orders that satisfy the margin requirement vis-a-vis cash collateral deposited by the Clearing Member/Client will be accepted subject to it is within the overall lending limits of the specific entities. Only those borrow orders that satisfy collateral requirement will be accepted subject to it is within the overall borrowing limits of the specific entities.

14.2 Exposure Limit for members/clients:

Member/Client limit is fixed to manage settlement risk related to borrower and lender default. Such assignment of limits to members is necessary for managing liquidity risk and default risk of its members.

Limit fixing methodology for setting up member limits is given below: –

- a) Entities are categorized into different categories based on financial, non-financial (Credit rating) parameters.
- b) Base borrowing limits & lending limits for members/participants are fixed based on the size of Core SGF, risk profile of members etc.
- c) ARCL may provide additional borrowing limit for market participants against PSU, Bank and FI AAA securities.

14.3 Initial Margin

In order to deal with market risk arising on account of funds shortage by lenders in the ready leg, AMC Repo will charge an initial margin at the rate of 0.50% (for repo tenor up to 7 days) of the lending value in the ready leg. The margin shall be contributed in the form of cash and the initial margin blocked in the ready leg will be released after successful completion of ready leg settlement.

14.4 Haircut

In order to address the price risk of collateral in the event of a default by the borrower on its obligation, haircut will be applicable on securities. Haircut is a flat percentage applicable on the market value (clean price + accrued interest) of the securities based on rating and residual maturity of securities (for repo tenor of 7 days). Revised haircut for eligible collateral as given below:

Instrument	Rating	Residual Maturity <= 1 year	Residual Maturity > 1 year and <= 5 years	Residual Maturity > 5 years and < 10 years	Residual Maturity > 10 years
NCD and FRB	AAA	-	7.50%	10%	15%
NCD and FRB	AA+	-	10%	15%	20%
NCD and FRB	AA	-	15%	20%	25%
Tier II Subordinate Bonds	AAA	-	10%	15%	20%
Commercial Paper	A1+	4%	-	-	-
Certificate of Deposit	A1+	4%	-	-	-

Further, the basket for the eligible collateral will be based on the latest lowest instrument level rating of the issuer will be considered.

The updated list of eligible securities (ISIN) as collateral will be available on AMC Repo Clearing Limited website on below mentioned link:

<https://www.arclindia.com/collateral> under “Eligible Securities” tab. Members/Clients are requested to refer the above link regularly for updated list eligible securities as collateral for tri-party repo.

14.5 Issuer and ISIN Selection Criteria:

The following selection criteria is used while considering the issuer whose debt instruments would be accepted as eligible collateral for tri-party repo.

14.5.1 Equity & Debt Listed Issuers

1. Positive Net Worth in the last three financial years as per the audited financial statements.
2. Profit making in the last three financial years as per the audited financial statements.
3. Long term credit rating from AAA to AA. Lowest of the rating in the last three years shall be considered.

14.5.2 Additional Criteria for Only Debt Listed Issuers

1. Equity of one or more associate companies of the group who is an eligible issuer shall be listed on stock exchange in respect of only debt listed entities.
2. Point No. 1 of **Additional Criteria** is not applicable for only debt listed Public Sector Units of Central Government.

14.6 Ratings Watch

- If the bonds are put under “Rating Watch” (except Positive Outlook), then the issuer of such bonds will be suspended from the eligible list.

14.7 Review of Eligible Issuers List

- The eligible issuers list will be reviewed with the Credit Committee and based on their recommendation the issuers list will be finalized
- The list of eligible issuers is review and approved by the Risk Management Committee and the Board of the company
- The eligible issuers list will be reviewed on a half yearly basis.

The list of eligible issuers is provided as Annexure 1. The updated list of eligible issuers as collateral will be available on AMC Repo Clearing Limited website on below mentioned link: <https://www.arclindia.com/collateral> under “Eligible Issuers” tab. Members/Clients are requested to refer the above link regularly for updated list eligible issuers for tri-party repo.

14.8 ISIN selection criteria for bonds

The listed bonds (NCDs) issued by the issuers meeting the above criteria and having the ratings from AAA to AA are accepted as eligible collateral. Currently, bonds with following characteristics are not accepted as eligible collateral:

14.9 Bonds not accepted as eligible collateral

Bonds with following characteristics will not be accepted as eligible collateral:

- Tier-I bonds issued by Banks, NBFC & other institutions.
- Perpetual Debt.
- Convertible bonds (Optional or Compulsorily).
- Securities below AA credit rating.
- Unsecured bond below AAA credit rating.
- Structured Bonds.
- Floating Rate Bonds other than market linked benchmarks namely G-Sec, T-Bills, MIBOR and Repo Policy Rate.
- Debt securities having structured obligations (SO rating) and/ or credit enhancements (CE rating) except securities where Credit enhancement is provided from Central Government.

The updated list of eligible securities as collateral will be available on ARCL website on below mentioned link: <https://www.arclindia.com/collateral> under “Eligible Securities” tab. Members/Clients are requested to refer the above link regularly for updated list eligible securities as collateral for tri-party repo.

14.10 Issuer Limit

ARCL specifies the following cumulative issuer limit across all members/participants.

Sr. No.	Type of Issuers	Limit
1	Banks - Public & Private Sector Banks	Lower of 10% of Net Worth or Rs.10,000 crs
2	Public Financial Institutions	Lower of 10% of Net Worth or Rs.10,000 crs
3	Public Sector Undertakings	Lower of 10% of Net Worth or Rs.10,000 crs
4	Private Corporates*	Lower of 10% of Net Worth or Rs.5,000 crs

* Private Corporate include NBFCs and HFCs

14.11 Issue and Issuer Limits at each Member/Participant Level

To address the concentration risk of issuer at a member/participant level, ARCL has revised the member/participant wise Issuer limit for AA rated issuer as follows:

- For AAA and AA+ rated issuer: Limit per issuer is **Higher of**
 - 20% of the total borrowing limit OR
 - Rs. 25 crs

For AA rated issuer: Limit per issuer is **Higher of**

- 10% of the base borrowing limit OR
- Rs. 25 crs.

Member/Participants can provide AA rated instruments up to 50% of their base borrowing limit.

The list of eligible issuers, eligible securities, baskets are made available under Collateral section of ARCL's website – www.arclindia.com/collateral.

14.12 Introduction of Subordinate Tier-II Bonds as eligible collateral

ARCL has included Subordinated Tier-II Bonds as eligible collateral with effect from October 1st 2024. There will be a separate basket available for tri-party repo in Subordinated Tier-II Bonds.

14.12.1 Issuer Eligibility Criteria for Subordinate Tier-II Bonds:

The eligibility criteria for inclusion of Subordinate Tier-II Bonds as eligible collateral are given below:

- Tier-II bonds within eligible issuers issued by AAA rated Banks/PFIs, AAA rated Insurance companies and AAA rated NBFCs promoted by AAA rated PSUs/GOI.

14.13 Introduction of Commercial Paper (CP) and Certificate of Deposit (CDs) as eligible collateral

Commercial Paper (CP) and Certificate of Deposit (CDs) as eligible collateral for tri-party repo in corporate debt securities has been introduced from September 05, 2024. The details of the same are given below:

14.13.1 Issuer Eligibility Criteria for CPs and CDs:

The eligibility criteria for inclusion of Commercial Papers (CPs) and Certificate of Deposits (CDs) as eligible collaterals are given below:

- CDs and CPs issued by eligible issuers.
- Listed CPs of only AAA rated eligible Issuers.
- CDs of all eligible issuers issued by Scheduled Commercial Banks (SCBs) and PFIs.

15 Default Handling

AMC Repo has constituted Core Settlement Guarantee Fund (Core SGF) with contribution currently from the following sources:

- Issuers of corporate bonds (at the rate equivalent to 0.5 basis points of the issuance value of debt securities per annum based on the maturity of debt securities)
- ARCL from its profit
- Any penalties levied by Clearing Corporation and interest accruals on Core SGF contribution.

In case of any residual loss i.e. if the realization of collateral value is less than the outstanding obligation of borrower etc. as stated above, such loss would be adjusted against the Core SGF as per the default waterfall structure defined by SEBI from time to time and as specified in the By-laws and regulations of ARCL.

- I. Monies of defaulting member/participant (including defaulting members/participants primary contribution to Core SGF)
- II. Insurance, if any.
- III. Issuers contribution to Core SGF.
- IV. ARCL resources (equal to 5% of MRC).
- V. Core SGF in the following order:
 - a. Penalties
 - b. Previous financial years profit of ARCL transferred to Core SGF
 - c. Remaining Core SGF: ARCL contribution and non-defaulting members'/participants primary contribution to Core SGF on pro-rata basis.
 - d. Remaining profit of ARCL transferred to Core SGF
- VI. Remaining ARCL resources (excluding higher of INR 100 Crore or the capital requirement towards orderly winding down of critical operations and services). *
- VII. Remaining ARCL resources to the extent as approved by SEBI.
- VIII. Capped additional contribution by non-defaulting members/participants**
- IX. Any remaining loss to be covered by way of pro-rata haircut to payouts.

* Higher of INR 100 Crore or the capital requirement towards orderly winding down of critical operations and services to be excluded only when remaining ARCL resources are more than higher of INR 100 Crore or the capital requirement towards orderly winding down of critical operations and services.

**

- (i) Clearing Corporation shall call for the capped additional contribution only once during a period of 30 calendar days regardless of the number of defaults during the period. The period of 30 calendar days shall commence from the date of notice of default by Clearing Corporation to market participants (ii) Clearing Corporation shall have relevant regulations/ provisions for non-defaulting members/participants to resign un-conditionally within the abovementioned period of 30 calendar days, subject to member/participant closing out/settling any outstanding positions, paying the capped additional contribution and any outstanding dues to SEBI. No further contribution shall be called from such resigned members.
- (ii) The maximum capped additional contribution by non-defaulting members/participants shall be lower of 2 times of their primary contribution to Core SGF or 10% of the Core SGF on the date of default.
- (iii) In case of shortfall in recovery of assessed amounts from non-defaulting members/participants,

further loss can be allocated to layer (VII) with approval of SEBI.

*** In case loss allocation is done through haircut to payouts, any subsequent usage of funds shall be with prior SEBI approval. Further, any exit by Clearing Corporation post using this layer shall be as per the terms decided by SEBI in public interest.

The above provisions shall be also applicable to the Participants as if they were the Clearing Members

16 Dispute Resolution

The details of dispute resolution are available in “Chapter X” of ARCL Byelaws and Chapter XV of ARCL Regulations. Members/Participant can also refer SEBI circular no. SEBI/HO/DDHS/DDHS-RACPOD1/P/CIR/2023/57, dated April 17, 2023, regarding “Dispute Resolution Mechanism for Limited Purpose Clearing Corporation (LPCC)”. Further, the Company has constituted Grievance Redressal Panel to resolve investor grievances which shall function in the manner as may be specified by the Board.

17 Reports

ARCL provides intraday and End of day reports in the portals to members as well as to participants. The formats of the reports for the transactions cleared by ARCL are given in Part B of this circular.

18 Applicability of Stamp Duty

In terms of the Indian Stamp (Collection of Stamp Duty through Stock Exchanges, Clearing Corporations and Depositories) Rules, 2019 notified by the Ministry of Finance (Department of Revenue) on December 10, 2019, Indian Stamp Act, 1899 amended vide Finance Act, 2019 (No. 7 of 2019), stamp duty is applicable at the rate of 0.00001% on the difference between the ready leg and forward leg consideration. Pursuant to the above and as per the authorization received from Stock Exchange. Stamp duty is collected from the borrower for every transaction. The clearing member / participant shall be required to pay stamp duty as part and along with the pay-in obligation. The stamp duty is collected as per the timeline stipulated for pay-in of funds. The money will be collected from the settlement bank account of a clearing member / participant as per process followed for settlement obligation.

19 Fees and Charges

Clearing members, Participants and Constituents are required to pay the following fees and deposit for registration with ARCL. Additionally, clearing members are required to pay SEBI fees as specified by SEBI from time to time.

19.1 Fees

Category	Admission/Membership Fees (One time)	Annual Subscription Fees	Interest free deposits
Clearing Member	Rs. 50000	Rs. 10000	Rs. 100000
Participant	Rs. 50000	Rs. 10000	Rs. 100000

Annual Subscription charges will be applicable from subsequent financial year.

19.2 Transaction charges

The transaction charges will be INR 15 per crore (subject to minimum of Rs.15 per trade and max of INR 1,500 per trade). GST and applicable taxes shall be charged separately. The bill will be generated on the first day of every month and made available to the members/participants in their respective report portals. The members will be required to make the payment on or before 10th (in case of holiday then the previous business day) of the subsequent month.

19.3 Penalties

Clearing Members / Participants failing to fulfil their funds obligations/MTM obligation by the scheduled date and time to Clearing Corporation shall be subjected to the following penalty structure any other penalty as specified by ARCL from time to time:

Type of Shortages	Penalty Charges per day
Fund Shortages	0.07%/day on value of shortages
Mark to Market Shortages	0.07%/day of value of shortages

20 Holidays

Settlement in repo segment of ARCL will takes place on all days of the week (except Saturdays and Sundays and holidays declared by the ARCL in advance). The list of settlement holidays for the year 2024 is available on ARCL website under the head download>circulares (<https://www.arclindia.com/circulars>).

20.1 Handling of Unscheduled Holiday

Due to the occurrence of any unforeseen event or circumstance beyond the control of Clearing Corporation, it may be required to abruptly suspend the Clearing and Settlement of Trades by declaring an unscheduled holiday; In the above case following procedure will be adopted:

Forward Leg (Second Leg): In case the second leg (forward leg) settlement date falls on an unscheduled date, the settlement date shall be rolled over to the next business day. Any interest accruals on account of such a delayed settlement shall be recovered by Clearing Corporation from the borrower of funds and the same shall be payable to the lender of funds. The additional interest amount for USH is computed at the repo rate of the associate transaction whose settlement is getting postponed due to USH. ARCL may adjust such interest accruals together with repayment obligations due on unscheduled holiday to next business day's obligation of the Member/Participant or it will be collected separately.

If the regulator or government declares unscheduled holidays and mandates the company to follow such other processes, ARCL will comply with such regulatory or government order in handling unscheduled holidays.

Example: June 06, 2023, declare as holiday on June 05, 2023, at EOD

Trade date	05-Jun-2023
Settlement Type	T0
First leg settlement date	05-Jun-2023
Repo Tenor	1
Maturity Date	06-Jun-2023
Repo Rate	7.00%

Trade Value	50000000
Ready Leg Consideration (original)	49990413
Ready Leg Consideration (Revised)	49980829
Additional consideration to lender	9583.53
Remark	Settlement of 2nd leg on June 07, 2023. Compensate lender with 1 day.