

AMC Repo Clearing Limited (ARCL)

**Policy for Winding Down of Critical Operations and Services of AMC
Repo Clearing Limited**

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Policy for Winding Down of Critical Operations and Services of AMC Repo Clearing Limited

1. Introduction

As per SEBI Circular No. SEBI/HO/MRD/MRD-PoD-3/P/CIR/2022/173 dated December 16, 2022 on “Framework for Orderly Winding Down of Critical Operations and Services of a Clearing Corporation” CCs shall have a policy framework for orderly winding down of their critical operations and services, which shall at least contain the following provisions:

- a. Identification of Potential Scenarios
- b. Identification of Critical Operations and Services of CCs
- c. Standard Operating Procedures (SOP)
- d. Return of Assets
- e. Financial Resources
- f. Oversight

Accordingly, the policy framework for winding down of critical operations and services of the clearing corporation is prepared and given in the following paragraphs.

2. Applicability

This policy is applicable to ARCL, its clearing members and all other stakeholders. Based on the board approved policy, ARCL will implement the winding down procedures.

3. Procedures

3.1 Definitions:

3.1.1 For the purpose of this Chapter XV, unless there is anything repugnant in the subject or context:

“**Termination Date**” shall mean the date, as may be determined and announced by the Clearing Corporation with the prior approval of SEBI, on which all outstanding positions shall expire at the daily settlement prices, and a single claim will be arrived at for each Clearing Member.

3.1.2 Scenarios for Winding Down

The Clearing Corporation may Wind Down its Critical Operations and Services voluntarily or involuntarily in the following scenarios:

3.1.3 Voluntary Winding Down of the Clearing Corporation

The Clearing Corporation is solvent and meeting all its obligations to both Clearing Members as well as other creditors but chooses to Wind Down and exit as a strategic or business decision.

3.1.4 Involuntary Winding Down

The Clearing Corporation may Wind Down its Critical Operations and Services on involuntary basis due to various factors including but not limited to the following:

(i) Winding Down due to default losses

The Clearing Corporation may Wind Down default management resources maintained by the Clearing Corporation are exhausted due to default by Clearing Member(s), and consequently if the Clearing Corporation fails to fulfil its obligations towards Clearing Members and/or its Constituents.

(ii) Winding Down due to non-default losses

The Clearing Corporation may Wind Down even in absence of Clearing Member defaults, if its solvency gets adversely affected as a result of, including but not limited to large operational expenses, legal expenses, business or investment losses rendering the Clearing Corporation unable to fulfil its obligations to Clearing Member(s), its Constituents and/or other creditors.

(iii) Winding Down consequent to regulatory actions

The Clearing Corporation may Wind Down its Critical Operations and Services on the directions of SEBI or any other statutory authority under Applicable Laws.

3.2 Winding Down procedure

3.2.1 Voluntary Winding Down:

- (i) Voluntary Winding Down of a Clearing Corporation shall be approved by the Board of Directors, shareholders of the Clearing Corporation and SEBI.
- (ii) The Clearing Corporation shall, after receiving the prior approval of SEBI, inform the Clearing Members regarding its decision to Wind Down voluntarily and shall also mention a sufficient notice period of six months for Winding Down so as not to have a significant impact in the financial system.

- (iii) Since the Clearing Corporation is solvent, it will have the choice of continuing full range of operations or perform only Critical Operations and Services during the Winding Down period.

3.2.2 The procedure for voluntary Winding Down shall be as follows:

- (i) Clearing Members of the Clearing Corporation will have to become members of the designated clearing corporation before the end of the notice period to enable the transfer of any open positions of the Clearing Members and/or its Constituents to the new designated clearing corporation.

- (ii) The Clearing Members who have open positions may change their designated clearing corporation or close out their open positions. The Clearing Corporation will transfer any open positions at the Clearing Corporation to the new designated clearing corporation at the end of notice period. Any open positions that could not be transferred to the new designated clearing corporation within notice period will be closed out at the daily settlement price of the Termination Date and in terms of the provisions of the Rules, Bye-laws and Regulations of the Clearing Corporation.

(iii) Return of assets

Subject to the guidelines issued by SEBI or any other directions issued by SEBI or any other statutory authority, the Clearing Corporation may return the Collateral and membership deposits of non-defaulting Clearing Members, Participants or Constituents and the unutilized Core SGF contributions of Clearing Members and Participants. The return of deposits, Collateral or any other money to the Clearing Member shall be subject to the dues of the Clearing Member to Clearing Corporation/Exchange/SEBI/and other statutory dues, if any.

- (iv) The Clearing Corporation may deal or use the penalties collected from the Clearing Members, issuers contribution and interest on these components forming part of Core SGF in a manner specified by SEBI from time to time.

3.2.3 Winding Down due to default losses

The Clearing Corporation may Wind Down under a scenario in case of one or multiple large defaults leading to all of its own resources in the default waterfall being exhausted, and all recovery measures having failed.

3.2.4 Winding Down due to non-default losses

The Clearing Corporation may Wind Down due to large operational / non-operational expenses and /or business / investment losses leading to Clearing Corporation being unable to make payments to other creditors and erosion of Clearing Corporation net-worth.

The procedure for Winding Down in case of the above scenarios under 3.2.3 and 3.2.4 shall be as follows:

- (i) The Clearing Corporation shall announce a Termination Date, with the approval of Authority.
- (ii) All open positions shall expire at the daily settlement prices of the Termination Date, and a single claim will be arrived at for each Clearing Member.
- (iii) The close out transaction or claim amount shall be settled by payment to the Clearing Member, in case of member's gain, or by receipt from the member, in case of member's loss.
- (iv) The close out transaction or claim amount shall be settled following the Termination Date but not later than two Days following the Termination Date.
- (v) Before paying out any amount under the above sub-clause, Clearing Corporation shall have the right to recover therefrom any amount payable by the member to Clearing Corporation.
- (vi) The operations of the Clearing Corporation will be halted from next day after the Termination Date.
- (vii) The close-out transactions shall be final and binding upon the member.

4. Review of Winding Down Policy

The policy for winding down shall be reviewed once a year or as and when required.