

Circular Reference Number	ARCL/Risk/2024-25/69
Circular Date	September 20, 2024
Department	Risk

To
All Members / Participants

Subject: Revision in Risk Management Framework

This is in continuation and partial modification to the ARCL Master circular AMC Repo/Ops/2024-25/10 dated April 18, 2024. The following revised selection criteria is used while considering the issuer whose debt instruments would be accepted as eligible collateral for tri-party repo.

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.

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.

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.

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.

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:

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.

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:

Limits	Total Borrowing Limit <=125 Cr	Total Borrow Limit > 125 Cr
Single Issuer Limit	Rs. 25 crores	10% of base borrowing limit

There is no change for member/participant wise Issuer limit for AAA and AA+ rated issuer.

Introduction of Subordinate Tier-II Bonds as eligible collateral

ARCL now proposes to include Subordinated Tier-II Bonds as eligible collateral. There will be a separate basket available for tri-party repo in Subordinated Tier-II Bonds.

Baskets details:

Issuer Category	Rating	ARCL Basket
TRII	AAA	TRIIAAA

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.

Haircut:

Following haircut is applicable for Subordinate Tier-II Bonds.

Residual Maturity	Haircut
<=5 year	10%
>5 year and <= 10 year	15%



Residual Maturity	Haircut
>10 year	20%

The updated list of eligible Subordinate Tier-II Bonds 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.

The above revisions will be made effective from October 1, 2024.

In case of any further clarifications, you may write to us at operation@arclindia.com.

For and on behalf AMC Repo Clearing Limited

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