

Circular Reference Number	AMC Repo/Risk/2024-25/125
Circular Date	March 04, 2025
Department	Risk

To

All Members and Participants

Sub: Contribution to Core Settlement Guarantee Fund and Default Waterfall of AMC Repo Clearing Ltd.

This has reference to Chapter 3 (Settlements), para 6.5, 6.8 and 6.11 of the SEBI Master Circular for Stock Exchanges and Clearing Corporations dated December 30, 2024, regarding guidelines for contributions to Core SGF of Limited Purpose Clearing Corporation (“LPCC”) and Default Waterfall of LPCC. In this regard member/participants are requested to note the following:

Clearing Member (CM) Primary Contribution

CMs contribution to Core SGF shall be risk based and equivalent to deficit in Minimum Required Corpus (MRC) post contribution by Issuers. The said contribution by CMs shall be subject to the following conditions:

- a. that no exposure shall be available on Core SGF contribution of any CM (exposure-free collateral of CM available with CC can be considered towards Core SGF contribution of CM), and
- b. that required contributions of individual CMs shall be pro-rata based on the risk they bring to the system.

LPCC shall have the flexibility to collect CM primary contribution, including flexibility to either collect the CM primary contribution upfront or staggered over a period of time. In case LPCC does not seek contribution from CM or seeks staggered contribution, the remaining balance shall be met by LPCC to ensure adequacy of total Core SGF corpus at all times. Such LPCC contribution shall be available to LPCC for withdrawal as and when further contributions from CMs are collected / received.

Participants contribution

Contribution by Participants who desire direct participation and not through a clearing member to Core SGF shall be risk based and equivalent to deficit in MRC post contribution by Issuers and Clearing Members. The said contribution by Participants shall be subject to the following conditions:

- a. that no exposure shall be available on Core SGF contribution of any Participant (exposure-free collateral of participants available with CC can be considered towards Core SGF contribution of Participants), and
- b. that required contributions of individual Participants shall be pro-rata based on the risk they bring to the system.

LPCC shall have the flexibility to collect Participant primary contribution, including flexibility to either collect the Participant primary contribution upfront or staggered over a period of time. In case LPCC does not seek contribution from Participants or seek staggered contribution, the remaining balance shall be met by LPCC to ensure adequacy of total Core SGF corpus at all times. Such LPCC contribution shall be available to LPCC for withdrawal as and when further contributions from Participants are collected / received.

Timelines for contribution to and recoupment of Core SGF of LPCC

Requisite contributions to Core SGF by various contributors, except upfront contribution by Issuers and annual contribution of profits by LPCC, for any month shall be made by the contributors before start of the month. In the event of usage of Core SGF during a calendar month, contributors shall, as per usage of their individual contribution, immediately replenish the Core SGF to MRC. However, such contribution towards replenishment of Core SGF by the members/ Participants would be restricted to 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 CC to market participants.

Default Waterfall of LPCC

The default waterfall of CC shall generally follow the following order:

- a. Monies of defaulting Member/ Participant (including defaulting member's/ Participant's primary contribution to Core SGF).
- b. Insurance, if any.
- c. Issuers contribution to Core SGF.
- d. LPCC resources (equal to 5% of MRC).
- e. Core SGF in the following order:
 - i. Penalties
 - ii. Previous financial years profit of LPCC transferred to Core SGF
 - iii. Remaining Core SGF: LPCC contribution and non-defaulting members'/ Participant's primary contribution to Core SGF on pro-rata basis.
 - iv. Remaining profit of LPCC transferred to Core SGF
- f. Remaining LPCC resources (excluding higher of INR 100 Crore or the capital requirement towards orderly winding down of critical operations and services).*
- g. Remaining LPCC resources to the extent as approved by SEBI
- h. Capped additional contribution by non-defaulting Members/Participants.**
- i. Any remaining loss to be covered by way of pro-rata haircut to payouts.***

* INR 100 Crore to be excluded only when remaining LPCC resources are more than INR 100 Crore.

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- (i) LPCC 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 LPCC to market participants.
- (ii) LPCC 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/ Participants.
- (iii) 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.
- (iv) 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 effected through haircut to payouts, any subsequent usage of funds shall be with prior SEBI approval. Further, any exit by CC post using this layer shall be as per the terms decided by SEBI in public interest.

Currently, ARCL has decided not to collect any primary contribution towards core settlement guarantee funds from Clearing Members and Participants. In case of any contribution towards core SGF (primary



or additional) is required from Clearing Members and/or Participants, the same will be intimated separately.

The ARCL will update the details about the cumulative contribution to Core SGF (website link- <https://www.arclindia.com/coresgf>) and details of Default Waterfall Mechanism on its (website link- <https://www.arclindia.com/defaultwaterfall>) website on monthly basis.

For and on behalf AMC Repo Clearing Limited

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