



AMC Repo Clearing Limited

**Consultation Paper on Methodology for Computation of
Contribution to Core Settlement Guarantee Fund by Clearing
Members and Participants**

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Table of Contents

1	BACKGROUND.....	3
2	CORE SGF RESOURCES	3
3	CONTRIBUTIONS BY CLEARING MEMBER / PARTICIPANT	3
4	IDENTIFICATION OF MINIMUM CORE SGF FUND QUANTUM AS PER MRC.....	3
5	CORE SGF REQUIRED AND CURRENT SIZE AS ON DECEMBER 31, 2025	4
6	PROPOSED METHODOLOGY FOR COMPUTING CONTRIBUTIONS FROM CLEARING MEMBERS AND PARTICIPANTS... .	4

1 Background

- a. Pursuant to SEBI circular no. SEBI/HO/MRD2/DCAP/CIR/P/2020/245 dated December 21, 2020, the Core Settlement Guarantee Fund (Core SGF) has been established for LPCC.
- b. Further, SEBI has permitted LPCC to seek primary contributions from Clearing Members (CMs) and Participants in the event of a shortfall in the Minimum Required Corpus (MRC) after contributions from Issuers.
- c. This consultation paper is issued to finalize the methodology and procedure for calculating the primary contribution to the Core SGF from CMs and Participants.

2 Core SGF Resources

Pursuant to SEBI circular no. SEBI/HO/MRD2/DCAP/CIR/P/2020/245 dated December 21, 2020, ARCL has established the Core Settlement Guarantee Fund (Core SGF). In accordance with the SEBI circulars, the Core SGF is funded through following sources:

- a. Contribution from Issuers
 - i. at a rate equivalent to 0.5 basis points of the issuance value of debt securities over the life of the instrument in years
- b. Primary contribution from Clearing Members
 - i. based on the risk exposure brought by the CM to the system and equivalent to deficit in MRC post contribution by Issuers
- c. Primary contribution from Participants
 - i. based on the risk exposure brought by the Participant to the system and equivalent to deficit in MRC post contribution by Issuers and Clearing Members
- d. Contribution from ARCL
 - i. Based on the profits made by ARCL

3 Contributions by Clearing Member / Participant

No exposure shall be available on Core SGF contribution of any Clearing Member / Participant.

Exposure-free collateral of Clearing Member / Participant available with LPCC can be considered towards Core SGF contribution of Clearing Member / Participant).

LPCC shall have the flexibility to collect Clearing Member / Participant primary contribution, including flexibility to either collect the Clearing Member / Participant primary contribution upfront or staggered over a period of time.

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 as per MRC. However, such contribution towards replenishment of Core SGF by the Clearing 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 LPCC to market participants.

4 Identification of Minimum Core SGF Fund Quantum as per MRC

- a. The MRC shall be fixed for a month.

- b. Minimum Core SGF Fund quantum for a given period will be identified on a monthly basis. By 15th of every month, ARCL will review and determine the MRC for next month based on the results of daily stress tests of the preceding month. For example, by 15th February, ARCL will determine MRC for March based on results of various stress tests conducted in January.
- c. ARCL will also review and determine by 15th of every month the adequacy of contributions made by various contributors and any further contributions to the Core SGF required to be made by various contributors (Clearing Members / Participants) for next month.
- d. For every day of the preceding month (i.e. January as per above example), Minimum Required Corpus numbers shall be estimated by the various stress tests conducted by the ARCL for the segment (Tri-party Repo in Corporate Bonds)
- e. Average of all the daily worst case loss numbers (Minimum Required Corpus) for top two Clearing Members / Participants at group level determined above shall be calculated.
- f. The MRC quantum for next month (i.e. March as per example above) shall be higher of the average arrived in at step above and the segment MRC as per previous review (i.e., review done on 15th January for the month of February).

5 Core SGF Required and Current Size as on December 31, 2025

As on 31/12/2025	
Minimum Required Core SGF Corpus (MRC)	Issuer Contribution to Core SGF
174.05	502.33

6 Proposed Methodology for Computing Contributions from Clearing Members and Participants

- a. Contribution by Clearing Members / Participants to Core SGF shall be risk based and equivalent to deficit in MRC post contribution by Issuers and ARCL's Profit contribution.
- b. Contribution by Clearing Members / Participants cannot exceed 25% of MRC for reference month.
- c. In case of default majority of losses that ARCL will be exposed to will be on account of a borrower default on account of depreciation of value of collaterals-as whole principal will be at risk while in case of Lender default only squaring off cost (difference between contracted rate and rate at which the reference default transaction is squared). Hence, it will be borrower who will be bringing majority of risk to the system. Hence, we have aligned our process in such a way that if required then maximum contribution towards Core SGF deficit should come from Borrowers.
- d. Core SGF contribution from Clearing Members / Participants will be a weighted amount basis the following
 - i. Daily Average trade amount for last six months will be given lowest weightage as lenders' contribution to Core SGF will be majorly coming from trades volumes and as already discussed
 - a) since lenders bring very marginal risk to ARCL in a default situation hence they have been given the lowest weightage at 10%.
 - ii. Maximum stress Loss shortfall in last six months
 - a) This will carry weightage of 25% -as there might be members/participants who might do occasional high value trades and hence higher occasional stress loss shortfall.
 - iii. Daily Average stress Loss shortfall in last six months
 - a) This will carry highest weightage of 65% so that the Clearing Members / Participants with higher stress shortfall on daily basis on account of consistent trades and volumes contribute to majority of Core SGF requirements commensurate with risk they bring to system.

- iv. Following is the process for Computation of the Core SGF requirement
 - a) Average outstanding gross trade volume of the Clearing Member / Participant in the previous six months with a weightage of 10%.
 - b) Highest Stress Loss shortfall on account of the Clearing Member / Participant in the previous six months with a weightage of 25 %.
 - c) Average Daily Stress Loss shortfall in last six months for a particular Clearing Member / Participant with a weightage of 65%.
- v. Clearing Members / Participants Core SGF requirement will be calculated on a monthly basis as given in Point ii.

7 Computation Example

7.1 Assumptions

Core SGF Funds = Rs. 130 Cr instead of Rs. 502 .94 Cr (So as to align the results) Core SGF deficit = Rs. 43.61 Cr

The Minimum Required Corpus (MRC) for the past three months is as given below:

Particulars	Amount In Rs. Crore
Average October 2025 - MRC	168.70
Average November 2025 - MRC	173.94
Average December 2025 - MRC	174.45

We have applied the process outlined in point no. 5 to the sample data for the past six months, and the results are presented below. Further, to align the computations with actual trade volumes, we have assumed that the Core SGF corpus will be lower than the MRC, as indicated in the table below:

Particulars	Amount In Rs. Crore
25% OF MRC (Contribution from Clearing Members/ Participants cannot be more than 25% of MRC)	43.61
Core SGF (Issuer Contribution)	130.00
Deficit	44.45
Clearing Member/Participant Contribution	43.61

Using the data as mentioned above, below are the results and observation:

Core SGF contribution By Lenders and Borrowers: the table below shows the Core SGF contribution to be made by borrowers and Lenders for reference period based on the proposed method:

Clearing Members / Participants	Core SGF Contribution in Rs. Crore
Borrower	41.41
Lender	2.21

As expected, contribution of Borrowers is almost 95% of Lenders for similar trade volumes which is in line with the objective of aligning the contributions of Clearing members/Participants with the risk they bring into system in terms of default.

8 Expected Members /Participants wise Core SGF contribution:

Name	Daily Average Trade -Six Months		Max Stress Loss -Six Months		Average Daily Stress Loss-Six Months		Total Core SGF Contribution In Crore	% of Total Member Contribution
	Average Daily Trade IN Crore	Proportion-Total	Max Stress Lossin Crore	Proportion-total Max stress Loss	Average Daily Stress Loss in Crore	Proportion-Total Stress Loss		
A	509.10	22.98%	47.03	10.17%	40.06	27.99%	10.05	23.03
B	114.46	5.17%	28.81	6.23%	18.37	12.83%	4.54	10.42
C	149.71	6.76%	37.57	8.13%	14.74	10.30%	4.10	9.40
D	42.50	1.92%	49.10	10.62%	11.83	8.27%	3.58	8.22
E	61.78	2.79%	50.48	10.92%	9.99	6.98%	3.29	7.55
F	60.80	2.74%	14.74	3.19%	10.41	7.27%	2.53	5.80
G	17.56	0.79%	45.74	9.89%	6.63	4.63%	2.43	5.56
H	67.97	3.07%	43.05	9.31%	6.38	4.46%	2.41	5.53
I	24.48	1.11%	46.74	10.11%	3.29	2.30%	1.80	4.13
J	17.02	0.77%	20.45	4.42%	5.08	3.55%	1.52	3.49
K	12.12	0.55%	7.78	1.68%	5.36	3.75%	1.27	2.91
L	20.05	0.90%	36.75	7.95%	1.16	0.81%	1.14	2.60
M	8.30	0.37%	5.38	1.16%	3.42	2.39%	0.82	1.88
N	7.02	0.32%	4.44	0.96%	3.13	2.19%	0.74	1.69
O	337.92	15.25%	0.00	0.00%	0.00	0.00%	0.67	1.53
P	289.58	13.07%	0.00	0.00%	0.00	0.00%	0.57	1.31
Q	252.37	11.39%	1.79	0.39%	0.01	0.01%	0.54	1.24
R	2.75	0.12%	9.87	2.14%	1.42	0.99%	0.52	1.19
S	1.37	0.06%	4.81	1.04%	1.59	1.11%	0.43	0.99
T	174.83	7.89%	0.00	0.00%	0.00	0.00%	0.34	0.79
U	0.16	0.01%	7.78	1.68%	0.06	0.04%	0.20	0.45
V	0.72	0.03%	0.00	0.00%	0.18	0.13%	0.04	0.09
X	18.90	0.85%	0.00	0.00%	0.00	0.00%	0.04	0.09
Y	7.53	0.34%	0.00	0.00%	0.00	0.00%	0.01	0.03
Z	5.91	0.27%	0.00	0.00%	0.00	0.00%	0.01	0.03
A1	5.16	0.23%	0.00	0.00%	0.00	0.00%	0.01	0.02
A2	3.97	0.18%	0.00	0.00%	0.00	0.00%	0.01	0.02
A3	0.07	0.00%	0.00	0.00%	0.02	0.01%	0.00	0.01
A4	0.41	0.02%	0.00	0.00%	0.00	0.00%	0.00	0.00
A5	0.40	0.02%	0.00	0.00%	0.00	0.00%	0.00	0.00
A6	0.39	0.02%	0.00	0.00%	0.00	0.00%	0.00	0.00
A7	0.15	0.01%	0.00	0.00%	0.00	0.00%	0.00	0.00

From above table we can observe that the Core SGF contribution requirement is higher for borrowers, as it is primarily driven by the average stress loss observed over the period. This is in line with the

objective that contributions to the Core SGF should be commensurate with the level of risk consistently brought to the system.

9 Proposal

ARCL proposes to adopt the above methodology for computation of primary contribution to the Core Settlement Guarantee Fund (Core SGF) by Clearing Members / Participants, based on risk exposure brought to the system.

The proposed methodology envisages a risk-based contribution framework with appropriate weightages assigned to trade volumes, maximum stress loss, and average daily stress loss, subject to a cap of 25% of the Minimum Required Corpus (MRC) for any reference month. The proposed framework ensures that contributions towards the Core SGF are commensurate with the magnitude and consistency of stress losses generated by Clearing Members and Participants, thereby strengthening the robustness of the settlement guarantee mechanism.

Clearing Member / Participant shall provide contributions in cash only

Clearing Member / Participant shall provide contribution within 7 working days from the date of intimation to them.

ARCL shall call for the capped additional contribution as per the usage of Clearing Member / Participant individual contribution only once during a period of 30 calendar days regardless of the number of defaults during the period.

10 Consultation

Market participants are invited to submit their comments and suggestions on the proposed methodology and its implementation.

Members are requested to send their comments and feedback on the proposal.

Last date for submission of comments	January 31, 2026
Email Id	compliance@arclindia.com
Attention To	Chief Regulatory and Compliance Officer, ARCL
Subject Line	Consultation Paper: Review of the Methodology for Computation of Contribution to Core Settlement Guarantee Fund by Clearing Members / Participants