



AMC Repo Clearing Limited

Investment Policy Core Settlement Guarantee Fund (Core SGF)

Version 1.4
Internal

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1 Background

Regulation 22E of SECC Regulations, 2018 states that the utilization of profits and investments by recognized clearing corporations shall be in accordance with the norms specified by SEBI. It also requires that the treasury investments are as per the investment policy approved by the governing board of limited purpose clearing corporation.

SEBI had also constituted an expert Committee on Clearing Corporations (hereinafter referred to as 'Committee'), to examine, inter-alia, the issues pertaining to (a) Investment Policy of a Clearing Corporation, (b) Liquid assets for calculation of Net worth of a Clearing Corporation, and (c) Regulation 33 of SECC Regulations on 'Transfer of Profits'.

As per Regulation 38(1) of Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018, the utilization of profits and investments by recognised clearing corporations shall be in accordance with the norms specified by the Board.

As per Clause 2.5.1.2. of Chapter 6 of SEBI Master Circular for Stock Exchange and Clearing Corporations:

- The investment policy of the Clearing Corporation shall be built on the premise of highest degree of safety and least market risk.
- The investments shall be broadly in Fixed Deposits / Central Government Securities and Liquid schemes of Debt Mutual Funds.

Accordingly, the Clearing Corporations shall align the investment policy in line with the principles for investment laid down as per Clause 2.5.1.2. above subject to the following –

- Fixed Deposit with Banks
- Central Government Securities and treasury bills; and
- Liquid schemes of debt mutual funds.
- Overnight Funds.

In lines with the above guidelines of SEBI, the Governing Board of AMC Repo Clearing Limited has approved the Investment Policy.

2 Objective

This policy defines the nature of investments to be made for the corpus collected in the ARCL Core SGF and the exposure to banks and mutual funds through such investment while complying with regulatory guidelines specified in this regard.

3 Scope

The scope of this policy is related to investment of Core Settlement Guarantee Fund corpus for the tri-party repo segment.

4 Instruments

The instruments in which investment may be made are:

- fixed deposits with banks,

- central government securities,
- treasury bills,
- liquid scheme of debt mutual funds and
- overnight funds of mutual funds

4.1 Fixed Deposits with banks

4.1.1 Criteria for Selection of Bank

As per SEBI circular on Norms for acceptable collaterals and exposure of Clearing Corporations, the fixed deposits can be placed with banks which fulfil the following criteria:

- Minimum net worth of the bank shall be INR 5,000 Cr.
- Banks with unsupported long-term rating of AA and above or banks issuing unsupported long-term instrument with rating of AA and above (excluding rating of bonds issued by the Bank for the purpose of capital requirements under the Basel III). Banks issuing unsupported long-term instrument with rating below AA, shall not be eligible for this purpose. In case of foreign banks, an equivalent credit rating on the global credit rating scale (equivalent to AA and above rating by domestic Credit Rating Agencies (CRAs)) may be considered by the CCs for assessment of the credit worthiness of the bank;
- In case, credit rating is obtained from multiple CRAs, the most conservative rating shall be considered for this purpose.
- Meet the capital adequacy requirements prescribed by Reserve Bank of India (RBI) from time to time; and
- Banks which are not under Prompt Corrective Action (PCA) Framework of RBI.

4.1.2 Single Bank Exposure Limits

- The exposure of Core SGF towards banks through Cash and Fixed Deposits (FDs) must be adequately diversified, and daily exposure to a single bank shall not exceed:
 - 15% of the average daily exposure of previous three months considering all liquid assets of Core SGF, for banks with AAA rating; and
 - 10% of the average daily exposure of previous three months considering all liquid assets of Core SGF, for banks with AA (include both AA and AA+) and above rating but below AAA.
- At the end of every month, the average daily exposure of Core SGF in liquid assets shall be calculated based on the exposure of previous three months. The single bank exposure limit for the next month would be based on this average daily exposure. The same shall be monitored on daily basis.
- In order to allow the ARCL to have operational flexibility, the daily exposure may be extended by 5%. In those cases, the ARCL shall record the reasons for such increase in exposure and ensure to bring down the daily exposure of the Core SGF to a single bank to 15% (or 10% as the case may be) on monthly average basis on priority.
- ARCL may place an FDs with the approved banks without opening a bank accounts.

4.1.3 Monitoring Mechanism

- The exposure to FDs shall be through premature withdrawable FDs, which can be terminated at any time before maturity, at the discretion of the ARCL, without any loss of principal.
- The single bank exposure will be monitored daily for every investment made for Core SGF will be shared with the management
- A monthly compliance report related to single bank exposure will be shared with the management.
- The company will present quarterly monitoring report to the Member Committee, Regulatory Oversight Committee and the Governing Board of the company.

4.1.4 Monitoring of banks eligible for investment

The company will monitor on quarterly basis the banks selected for investment of Core SGF. The company will present a report to the Regulatory Oversight Committee, Member Committee and the Governing Board of the company on quarterly basis.

Daily Monitoring

ARCL will monitor the rating on daily basis.

Quarterly Monitoring

For each bank, the quarterly monitoring will be based on following criteria's:

- Bank Name
- Net worth – Previous Quarter & Reporting Quarter
- Capital Adequacy - Previous Quarter & Reporting Quarter
- Rating - Previous Quarter & Reporting Quarter
- Banks under Prompt Corrective Action - Previous Quarter & Reporting Quarter
- Remarks – Continue or Divest within 3 months from such compliance

In case of exposure to banks which subsequently fails to meet any of the above eligibility conditions, CCs shall rebalance its exposure through Core SGF to such banks as soon as possible but not later than three months from such non-compliance. However, exposure of CC to such banks through CMs shall be removed at the earliest.

4.2 Investment in units of debt mutual fund schemes and overnight mutual funds

- Investment may be made in units of liquid debt mutual funds and overnight funds based on the attractiveness of safety, liquidity and expected returns of investment.
- Total exposure in all liquid debt mutual funds units and overnight funds shall not exceed a limit of ten per cent of the total investible resources held in the Core SGF, at any point in time.
- The investment shall be made with top 5 fund houses in terms of Debt AUM.
- Total exposure in any single fund house shall be maximum of Rs. 5 crores.
- Performance of the fund in existing ongoing schemes may be considered at the time of investment in New Fund Offer (NFO).

4.3 Investment in central government securities and treasury bills

There is no limit applicable for investment in central government securities and treasury bills. However, the maturity profile of investment in securities may be based on liquidity requirement, liquidity of the security and attractiveness of returns. In order to prevent the company falling under Section 45-IA of

the RBI Act, 1934, the company should ensure that the income from investment in central government securities (including government securities and treasury -bills) should not exceed 50% of total income.

In order to ensure smooth implementation of the above measures, it is proposed to implement the same in a phased manner as given below:

Sr. No.	Exposure Type	Proposed Time
1	ARCL Core SGF funds invested or deployed with banks in the form of Cash	March 31, 2025
2	ARCL Core SGF funds invested or deployed with banks in the form of FDs	July 31, 2025
3	Overall exposure limit of 20% to a single bank.	July 31, 2025

5 Investment Approval

The Managing Director is authorised to invest/reinvest the Core SGF as when the company receives contributions towards Core SGF by eligible Issuers.

While approving the investment/reinvestment in eligible instruments as per the Investment Policy, the Managing Director will monitor the single bank exposure limit.

In case the Managing Director is on leave, 2 HODs who are authorised signatories of company currently in the Category A are allowed to make the decisions related to the investment / reinvestment of Core SGF corpus.

6 Frequency of Review

The Investment Policy for Core Settlement Guarantee Fund will be reviewed annually or as when regulatory changes need to be implemented.

7 Review

The Investment Policy for Core Settlement Guarantee will be reviewed by the Regulatory Oversight Committee and the Governing Board of the Company.