

## FAQS for Client Model

### What is client model in triparty repo?

Client Model facilitates participation by the eligible entities in the tri party repo transaction by the following entities:

- a. Entities which are not permitted to take direct membership of the exchange / clearing corporation viz. corporates, NBFCs etc. to participate in triparty repo in corporate debt securities as a client of a trading member / clearing member.
- b. Entities which are eligible to take membership of the exchange / clearing corporation but are not willing to take due to their internal reasons. Such entities can participate in triparty repo by becoming a client of a trading member / clearing member.

### What is an eligible entity?

An eligible entity means an entity that is included in list of eligible entities as listed down in the RBI's Repurchase Transactions (Repo) (Reserve Bank) Directions, 2018 dated July 24, 2018, that are entitled to participate in Triparty Repo transactions.

### How does an eligible entity participate in triparty repo as a client?

There are two approaches available under the client model:

- a. Direct Participation (as Participant): In direct participation approach, the participant transfers collateral by itself directly from its demat account to the demat account of clearing corporation; the fund settlement is carried out directly in the settlement account of the participant with the clearing bank without involving the clearing member.
- b. Indirect Participation (as a constituent): In Indirect Participation approach, the constituent transfers collateral by itself directly from its demat account to the demat account of clearing corporation. However, the funds settlement will be done in the settlement account of the Clearing member who in turn will do the fund settlement with constituents.

### What are the documents required to be submitted for registration as a client?

The documents required to be submitted for registration as client with of AMC repo are provided in the link <http://arclindia.com/documentation>

[The documents required to be submitted to stock exchange for registration as client will be provided by the concerned stock exchange.](#)

### **What is the mechanism for collateral transfer in depository?**

In both direct participation (as Participant) and indirect participation (as constituent) approaches, a participant/constituent is required to transfer collateral from its demat account with the Depository Participant (DP) to the account of ARCL with the depository and the account details of ARCL are given below:

In respect of mutual funds participating as a participant/constituent, the collateral will be transferred from individual schemes and hence mutual fund shall open a settlement pool account with the depository. This will facilitate transfer of securities of each scheme from the scheme account to the MF pool account. The securities from this mutual fund pool account will be transferred onward to the settlement pool account of AMC Repo maintained with the depository.

### **What is the mechanism in respect of cash margin transfer in clearing bank ?**

The following mechanism shall be used in respect of cash margin transfer and fund settlement in clearing banks:

*In case of Direct participation (Participant):* Participant will transfer cash margin directly from its bank account to the margin account of ARCL with the clearing bank.

*In case of Indirect participation (constituent):* Constituent shall transfer cash margin directly from its bank account to the margin account of ARCL with the clearing bank and the clearing member in turn carry out fund settlement with constituent

For other operational details please refer FAQs on the direct membership (link).

<http://www.arclindia.com/faq>

### **How is the fund settlement carried out for the participant/client?**

*In case of Indirect participation (Client) :* The fund settlement will be done in the settlement account of clearing member. The responsibility of settlement is with the clearing member.

*In case of Direct participation (Participant):* The fund settlement will be done in the settlement account of participant opened with the clearing bank. Clearing member also gives consent to clearing corporation for fund settlement in the settlement account of the participant without involving clearing member's account. The responsibility of settlement is with the individual participant.