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1. What is Repo?

"Repo" means an instrument for borrowing funds by selling securities with an agreement to repurchase the securities on a mutually agreed future date at an agreed price which includes interest for the funds borrowed.

2. What is Tri-party repo?

Tri-party repo is a type of repo contract where a third entity (apart from the borrower and lender), called a Tri-Party Agent, acts as an intermediary between the two parties to the repo to facilitate services like collateral selection, payment and settlement, custody, and management during the life of the transaction.

3. Who is eligible to Participate in Tri Party Repo?

As per RBI guidelines issued in 2018, amended November 2019, the following are eligible to participate in repo transaction under these Directions:

- a) Any regulated entity
- b) Any listed corporate
- c) Any unlisted company, which has been issued special securities by the Government of India, using only such special securities as collateral.
- d) Any All-India Financial Institution (FIs) viz. Exim Bank, NABARD, NHB and Small Industries Development Bank of India (SIDBI), constituted by an Act of Parliament; and
- e) Any other entity approved by the Reserve Bank from time to time for this purpose.

4. How can I Participate in Tri Party Repo?

Those who wish to participate in Tri-Party Repo need to become member of ARCL. Members which are not permitted to take membership on stock exchanges/clearing corporation and those eligible entities which do not want to take membership on stock exchanges/clearing corporation may participate in repo transactions as clients of trading member(s)/clearing member(s).

5. What is trading membership?

The members who wish to participate in the tri-party repo segment, needs to take trading membership with NSE. For obtaining trading membership, the applicant will be required to complete the necessary documentation with the NSE from where they will execute the trades.

6. What is clearing membership?

The members who wish to participate in the tri-party repo segment, need to become a clearing member of ARCL for clearing and settlement for its own trades. Clearing members will be governed by the bye-laws, rules and regulations of ARCL.

7. What is the procedure to obtain clearing membership?

Members who wish to obtain the clearing membership of ARCL, will first be required to take trading membership of the exchange through which they propose to execute their trades. Parallely, the member will apply to ARCL seeking clearing membership by submitting the application form along with the relevant documents and applicable fee.

8. What are the documents required for clearing membership?

The documents required for obtaining the clearing membership of AMC Repo is provided in the link <http://arclindia.com/documentation>

9. Can I Participate in Tri Party Repo as Client?

The eligible entities (as prescribed by RBI) which are not permitted to take membership on stock exchanges/clearing corporation and those eligible entities which do not want to take membership on stock exchanges/clearing corporation may participate in repo transactions as clients of trading member(s)/clearing member(s).

10. How to register as Participant?

Clients will register as “Participant” through the trading member / clearing member for participating in repo transactions. To register as “Participant”, the necessary documents are required to be submitted to AMC Repo Clearing Limited through clearing member along with admission fee and interest free deposits. The details of the document along with the procedure for registration is provided on ARCL website in the link: <http://www.arclindia.com/clientsdocumentation/participants>. The eligibility criteria for participant is provided in Master circular dated April 18, 2024.

11. What are Eligible securities?

Eligible securities will be the listed corporate bond and debentures (Non-Convertible Debt securities), commercial paper and certificate of deposits as defined by AMC Repo from time to time. However, initially it is proposed to accept corporate debt securities with rating AAA and below upto AA- (with the exclusion of

AA- with negative outlook). Further, commercial paper, certificate of deposit, bond ETFs etc. will be considered at a later stage and a notification to market will be issued. Perpetual bonds, ATR bonds, floating rate bonds, structured bonds are not eligible for triparty repo collateral. Link for eligible securities (link to collateral section)

12. What are the pre-requisites for trading?

Borrow: A Member/Participant desirous of borrowing shall transfer corporate debt securities (from the eligible list as published by ARCL) from its demat account with depository to the ARCL Settlement Pool Account with the depository and the details are given below:

Lend: A member/Participant desirous of lending shall transfer cash margin at the rate 0.50% of their lend value to the margin account of ARCL with clearing bank

13. What is Haircut for Securities?

Haircut is a percentage rate applied on the market value of collateral placed by members for arriving at the borrowing limit. ARCL would specify hair-cut for securities based on rating and residual maturity (going forward, liquidity factor will also be considered while fixing hair-cut) of the security. Currently, the applicable hair-cut is as under:

<i>Residual Maturity of the security</i>	<i>Rating AAA & AA+</i>	<i>Rating AA</i>	<i>Rating AA-</i>
Up to 5 years	7.50%	10%	15%
Above 5 years	15%	15%	15%

14. How is the valuation of securities done?

The valuation of the securities that have been provided as collaterals, will be carried out using the information viz. clean price, accrued interest and haircut for arriving at the borrowing value for the members. This valuation process will be carried out on a daily basis at the EOD.

An example is given below:

Face Value of the Security: A = 100000

Market Price of the Security: B = 101

Market Value of the Security: $C = A \times B = 100000 \times 101/100 = 101000$
Accrued Interest of the Security: $D = 1000$
Hair-cut % applicable for the security: $E\% = 10\%$
Hair-cut Value of the Security: $F = (C+D) \times E\% = (101000 + 1000) \times 10\% = 10200$
Eligible Borrow Value of the security: $G = C + D - F = (101000 + 1000 - 10200) = 918$

15. What is the procedure for deposit of cash collaterals?

Members desirous of lending in repo transaction shall provide a cash margin at the rate 0.50% (for repo tenor up to 7 days) of lending value by transferring the amount to the settlement bank account maintained with the clearing banks. This instruction to the AMC Repo Unit can be provided by sending a request at operation@arclindia.com. The funds should be transferred to settlement bank account only.

16. Is it possible to deposit the collateral intra-day and borrow?

It is possible to deposit collateral intra-day and can be utilized for borrowing subject to the Member Exposure Limit availability for the member.

17. Is it possible to withdraw the collateral intra-day?

It is possible to deposit or withdraw collateral intra-day. Members wishing to withdraw their bond collaterals will need to put through the request through the collaterals interface provided by the clearing corporation. However, in the case of withdrawal of collateral, a validation will be performed to ensure that the collateral is not blocked for the outstanding borrowing position, if any, of the respective member. If there is an outstanding position and collateral is blocked, then the collateral will not be released to the member else will be released.

18. How is the coupon handled?

- Clearing Corporation will make eligible securities in-eligible based on parameters like corporate action, change in rating, minimum residual maturity etc. and such securities declared as ineligible will not be reckoned for collateral contribution by the Clearing Members from the effective date of such ineligibility.
- In case record date of corporate action is available or made available by market participants to the clearing corporation, the security will be made ineligible 10 days before record date

- Further, the security will be made eligible on 2nd business day of the record date instead of day following the corporate action date. Valuation for such securities between record date till corporate action date will be done on ex-interest basis.
- In case record date is not available, then ARCL will continue to make security temporarily ineligible 45 days before the date of corporate action.

19. What are the features of tri-party repo product?

- Instrument Type: Discounted instrument.
- Repo type: Basket Repo initially. Baskets would be constituted with corporate debt securities based on combination of rating, issuers industry etc.
- Repo tenor: From one day to 365 days. Initially, repo tenor would be kept at for lesser duration i.e. up to 7 days with maturity on every business day.
- Contract size: Minimum Rs.5 lakh and in multiples of Rs.5 lakh.
- Quote: Interest rate in percent with a tick size of 1 bps
- Settlement cycle: T+0 (ready leg settlement on the same day of trade) and T+1 (ready leg settlement on the next business day of the trade)
- Trading time proposed: 9 am to 1.000 pm for T+0 settlement; and 9 am to 5 pm for T+1 settlement
- Quantity Freeze: Rs. 200 Crs

Trading contract specifications will be notified by stock exchanges.

20. What will be the type of repo that will be traded?

Initially the trades will be executed in basket repo.

21. What are baskets?

Baskets will be created based on the rating of bonds, issuers and industry which issuer represents. There can be multiple baskets available for trading, each of them having distinct list of eligible securities. Examples of baskets are given below:

Ratings	AAA	AA+	AA	AA-
Sectors	Basket Identifier			
PSU	PSUAAA	PSUAA+	PSUAA	PSUAA-
BANK	BANKAAA	BANKAA+	BANKAA	BANKAA-

HFC	HFCAAA	HFCAA+	HFCAA	HFCAA-
NBFC	NBFCAAA	NBFCAA+	NBFCAA	NBFCAA-
Corporate (MC** > = 50 k Cr)	LCORPAAA	LCORPAA+	LCORP AA	LCORPAA-
Corporate (MC < 50 k Cr)	MCORPAAA	MCORPAA+	MCORPAA	MCORPAA-
FI	FIAAA	FIAA+	FIAA	FIAA-

** MC – Market capitalisation of the issuers

22. What is member Exposure Limit?

It is the maximum exposure that ARCL will take against members on account of their outstanding borrowing and lending transactions. Member Exposure Limits are fixed based on financial and non-financial criteria of the entity as per ARCL’s internal risk criteria.

23. What is the initial margin for lenders?

Initial margin is collected from the lenders on the ready leg for the value lent. The initial margin will be collected at a rate of 50 basis point (0.50%) of the lent amount. The initial margin is to be deposited in the form of cash.

24. How to execute borrowing and lending trades?

The borrowing and lending trades can be executed on the anonymous trading platform provided by the exchanges.

25. What are the order level risk management tools?

In case of a borrower order, there is a system check on the available borrow limit (within the Member Exposure Limit) that has been given to the members based on the collateral contribution provided by the borrower. In case of a lend order, the system check is on the initial margin contribution provided by the lenders subject to availability of Member Exposure Limit.

26. What is the clearing and settlement procedure?

The trades will be executed on the anonymous trading platform of the exchanges. Based on the trades executed, a single net funds obligation shall be generated for

each of the members for each settlement date which will include the following legs

- Ready leg settlement consideration of T0
- Ready leg settlement consideration of T1 for a trade executed in the previous business day.
- Forward leg settlement consideration for trades executed in the previous business days maturing on the current business day.

The Ready Leg Settlement consideration (T0 and T1) for the Clearing Member shall be net borrowed or net lent amount to be settled for the Repo Deals. Ready leg consideration is computed as under:

Ready leg consideration: $\text{Face Value} / 1 + (\text{Repo Interest Rate} * \text{Repo tenor} / 365)$
Forward leg consideration = Face Value

Example: Ready leg borrowing Rs.100 crore for one day at 8% per annum. Ready leg consideration = $100 / (1 + (0.08 * 1 / 365)) =$
Rs.99.9781 crore.

Forward leg payable is Rs.100 crore.

27. Can a borrower rollover the borrow position on the day of forward leg?

Yes. It is possible. In order to facilitate members to borrow against the same collateral used for existing borrowing.

- Rollover can be done on the forward leg settlement day for the original borrow positions payable.
- Rollover can be done for the tenor which may be same or different from the original transaction.
- Collateral shall remain blocked till the settlement of forward leg of the rollover position.

Settlement Obligation computation including the roll-over:

An example for computation of settlement obligation (considering roll-over of borrowing) is give below:

Day-1: Ready leg borrowing Rs.100 crore for one day at 8% per annum. Ready leg consideration is Rs.99.9781 crore.

Forward leg payable is Rs.100 crore.

Day-2: Ready leg Borrowing (roll-over) of Rs.100 crore for one day at 12%. Ready leg consideration is Rs.99.9671

Settlement Obligation on Day-2:

- a. Forward leg payable obligation of previous ready leg : Rs.100 crore
- b. Current ready leg receivable obligation : Rs.99.9671 crore
- c. Settlement obligation (a-b) : Rs.0.03289 crore

28. Will there be movement of securities from borrower to lender account?

There will be no movement of securities from the borrower to the lenders account. The Securities will be lying in the demat account of AMC Repo. The lenders will be provided with an allocation report at the EOD reflecting the securities against which the lending has been done.

29. Which are the clearing banks?

Currently HDFC Bank Limited, ICICI Bank Limited and Axis Bank are empaneled as clearing banks. The details of clearing banks are given in the consolidated circular, dated April 1st, 2024.

30. What are the membership fees payable?

Clearing members and Participants are required to pay the following fees and deposit for registration with ARCL.

Category	Admission/Membership fees (one time)	Annual Subscription Fees #	Interest free deposits
Clearing Member	Rs. 50000+GST@18%	Rs. 10000 + GST	Rs. 100000
Participant	Rs. 50000+GST@18%	Rs. 10000 + GST	Rs. 100000

#Annual Subscription charges will be applicable from subsequent financial year. Additionally Clearing members are required to pay SEBI fees as specified by SEBI from time to time.

31. What are the transaction charges payable?

Transaction charges payable by the members are INR 15 per crore of Face Value, with minimum of INR 15 and maximum of INR 1,500 per trade. GST charges will be extra.

32. What is the stamp duty applicable for the repo transaction?

The stamp duty will be charged at 0.00001% on the difference between the ready leg consideration and forward leg consideration.

33. Is SEBI turnover fee applicable for clearing members?

An annual fee of Rs.50000 is payable by a clearing member and Turnover fee of Rs. 2 per crore by Trading member.

34. What are the reports available for members?

Following member reports are provided by NSE Clearing

- Trade report
- Outstanding Position
- Obligation
- Penalty
- Margin Utilisation
- MTM Margin
- Blocking Summary
- Blocking Details
- Allocation Summary
- Allocation detail
- Auction Trade
- Obligation for Auction Trades
- Settlement Status
- Coupon Payment
- Collateral Break up.

35. What is the Nomenclature to be used for opening settlement bank account with the clearing bank?

The nomenclature to be used for opening a settlement account with the clearing banks is ARCL Settlement Account. For example, in case the entity name of the Clearing member/ Participant is XYZ Bank Limited, then the settlement account will be opened in the name of entity i.e. name of clearing member/ Participants-ARCL Settlement account i.e. “XYZ Bank Limited – ARCL Settlement Account”.