NSE Clearing

Circular

NSE Clearing Limited

(Formerly known as National Securities Clearing Corporation Limited)

DEPARTMENT : DEBT SEGMENT	
Download Ref No : NCL/DS/42253	Date: 27-Sep-2019
Circular Ref. No : 037/2019	

All Members.

Sub: Acceptance of Corporate bonds with rating AA+ and AA as collateral in Tri-party repo

This is with reference to circular no: NSE/DS/42245 dated September 26, 2019 issued by National Stock Exchange of India Ltd regarding introduction of additional basket in tri-party repo and in partial modification of circular no: NSCCL/CMPT/37921 dated June 04, 2018

Accordingly, NSE Clearing will provide clearing and settlement for the additional baskets in Tri-party repo effective from October 01, 2019.

Haircuts

The hair-cut that would be applicable for corporate bonds with rating AA+ and AA is as mentioned below:

Tenor	Haircut
< 1Y	25%
1Y – 3Y	35%
> 3Y	50%

Shortage handling mechanism

For AAA rated instruments, the existing shortage handling mechanism shall continue to be applicable. In respect of corporate bonds with rating AA+ and AA, the following additional approach will be applicable:

- For a borrower who deposit AA+ and AA rated corporate bonds as collateral and fails to meet the obligations towards settlement and daily mark to market, the clearing corporation will attempt to liquidate the instruments and funds will be released to receiving counterparties post realization of liquidation proceeds. The affected counterparties will be compensated at 3 basis points per business day (calendar days in case holiday falls between business days) on the value of amount receivable by such counterparties
- In case the clearing corporation is not able to liquidate the security, then clearing corporation, at its discretion, shall allocate the securities to the lender/s. Such

allocation may result in revision of obligation to the allocated lenders and accordingly any such revised obligation so arrived at shall be fulfilled. Any failure in fulfilling the revised obligation shall be considered as default and shall accordingly be handled as per the bye-laws, rules and regulations.

For NSE Clearing

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