



ANNEXURE A

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ITEM 1: DEFINITIONS

1. **Repo deals**

“Repo deals” are trades executed on the **Tri-party Repo Market (TRM)** platform in Debt Segment of the National Stock Exchange of India Ltd (Exchange).

2. **Clearing Members**

Clearing Member for this part shall mean the Clearing Members of Debt segment who are eligible to participate in corporate bond repo deals as specified by RBI in its directions from time to time.

3. **Cleared Deals**

Cleared Deals means Repo deals admitted for clearing and settlement by Clearing Corporation.

4. **Ready Leg**

Ready Leg is the first leg in a Repo deal in which the Clearing Member borrows funds against the collateral transferred to Clearing Corporation on the basis of the trades executed on the TRM platform.

5. **Forward Leg (Repo maturity)**

Forward Leg is the second leg of repo deal or reversal leg of Ready Leg Repo deal whereby the Clearing Member is obliged to return the funds borrowed in the Ready leg of the Repo deal along with the interest applicable for the borrow period on the basis of the trades executed on TRM platform

6. **Repo Tenor**

Repo tenor means number of days for which the borrowing and lending is undertaken.

7. **Repo Rate**

Repo Rate is the annualized interest rate for the fund borrowed and lent for the repo tenor.

8. **Repo Interest**

Repo Interest is the interest amount payable by the borrower in the forward leg date of a Repo deal.

9. **T0 Settlement**

T0 settlement indicates that the Ready Leg Repo deal shall be settled on the trade date.

10. **T1 Settlement**

T1 settlement indicates that the Ready Leg Repo deal shall be settled on the business day immediately succeeding trade date.

11. **Settlement obligations**

Settlement Obligation means the actual amount payable or receivable by the Clearing Members for the settlement.

12. **TDS**

TDS is Tax Deducted at Source, applicable on the repo interest payable by the borrower to lender.



ITEM 2: BASIS FOR CLEARING AND SETTLEMENT OF DEALS AND SETTLEMENT OBLIGATIONS

In pursuance of Regulations 4.4 of NSCCL Capital Market Regulations the basis for settlement obligations is specified as under:

2.1 Repo deals

Deals executed in the normal market of the TRM platform.

- a) Settlement shall be on a net obligation basis.
- b) Settlement Guarantee shall be provided

2.2 Repo Auction deals

Deals executed in the auction market of the TRM platform

- a) Settlement shall be on a gross/net obligation basis.
- b) Settlement Guarantee shall be provided



ITEM 3: MAINTENANCE OF DEPOSITORY ACCOUNT

In pursuance of Regulation 14 of NSCCL Capital Market Regulations, the provision relating to clearing member's depository account with a Depository Participant of the specified depository is hereby specified as under:

3.1 Depository Account

The Clearing Members shall maintain a beneficiary (DEMAT) account with a Depository Participant of the depositories, National Securities Depository Ltd (NSDL) or Central Depository Services Ltd (CDSL) for the purpose of providing collaterals towards Repo deals or for any other purpose as the relevant authority may specify from time to time.

Clearing members shall intimate the details of the DEMAT account to Clearing Corporation as per the format provided in Annexure B

Clearing Members are required to transfer securities towards collateral requirement to the below mentioned account of Clearing Corporation for participating in Repo deals.

DP ID	Account No
IN001002	10009093



ITEM 4: PROCEDURE FOR PAY-IN /PAY-OUT OF FUNDS

In pursuance of Regulation 6 & 13 of NSCCL Capital Market Regulations, the provisions relating to procedure for settlement of cleared deals and clearing bank appointed by the Clearing Corporation, are hereby specified as under:

4.1 Funds pay-in and pay-out shall be through banks designated as Clearing Banks/ RBI by the Clearing Corporation and through the settlement account/RTGS Settlement account of the Clearing Member with Clearing bank/RBI.

4.2 Settlement Obligation –Repo deals

A single net obligation shall be generated for members comprising the following legs:

- Current days trade with Ready Leg settlement T0
- Previous day trade with Ready Leg settlement T1
- Previous days trades expiring during the day (forward leg)

The Ready Leg Settlement Obligation (T0 and T1) for the Clearing Member shall be net borrowed or net lent amount to be settled for the Repo Deals.

The Forward Leg Settlement Obligation for Clearing Members shall be based on the Repo tenor and Repo rate at which the Ready Leg Repo deals have been executed. The forward leg settlement value shall be computed as under:

Forward leg obligation = Ready leg obligation + Repo Interest for the applicable repo tenor – TDS on Repo Interest if applicable (currently TDS applicable is 10% on the repo interest rounded up to the nearest Rs. 10).

- (a) Repo interest = ready leg value * repo tenor * repo rate / 36500
- (b) The repo interest shall be computed based on Actual/365 day count convention.

4.3 Pay-in of Funds

The Clearing Member having payable position shall have clear funds in their settlement account on settlement day. The Clearing Bank shall debit the concerned Clearing Members account in accordance with instructions received from Clearing Corporation.

The Clearing Bank shall credit the settlement account of the Clearing Members having receivable position in accordance with the pay-out instructions received from the Clearing Corporation on the settlement day.

The pay-in of funds shall be effected at 02:00 p.m. Clearing members are required to keep their account funded to the extent of funds pay-in obligation (if any) on or before this cut off time. Collateral of the clearing member blocked towards settlement obligation, if any, shall be unblocked on completion of the settlement.



4.4 Settlement Shortage

Failure of a Clearing Member to discharge its obligation in full or in part to deliver funds at the time of settlement shall be treated as a settlement shortage. Clearing Corporation shall have the absolute discretion to decide on the mode of handling shortages and the decision of Clearing Corporation shall be binding on all the Clearing Members;

4.5 Handling of Shortage

Clearing Corporation shall initiate all measures that are prudent, practicable and necessary to meet the funds shortage in order to ensure that the repo deals are settled and all the non-defaulting Clearing Members receive funds due to them;

Clearing Corporation shall at its discretion conduct Auction or close out the position in case if auction is not successful. Clearing Member who failed to discharge the settlement obligation shall be liable to pay charges, penalty (as applicable for Debt segment) or any interest arising out of making such shortages good to the Clearing Corporation.

4.6 Settlement of Auction trades shall be as follows:

Auction trades shall be settled as per below schedule

Auction with Ready Leg T0 – Pay-in shall be at 04:00 pm

Auction with Ready Leg T1 – Pay-in shall be done at 10:00 am on the next business day

Forward Leg of Auction trades shall be netted with the other trades settling on the respective day.



ITEM 5: COLLATERAL

In pursuance of Regulation 3.10, the following requirements are prescribed in respect of collaterals to be provided by the members:

5.1 Collateral Deposits by the Clearing Member

The collateral shall be towards the following requirement

- i) Lending position
 - ii) Borrowing position
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- i) Lending positions: Clearing Member desirous to enter into Lend Repo deals shall be required to provide collateral in the form of cash. Such collaterals shall be deposited upfront i.e. before submitting Lend Repo order on the TRM platform. Only those lend orders that satisfy the collateral requirement vis-a-vis cash collateral deposited by the Clearing Member shall be accepted.
 - ii) Borrowing position: Clearing Member desirous to enter into Borrow Repo deals shall be required to provide eligible corporate debt instruments as specified by Clearing Corporation from time to time. Such collaterals shall be deposited upfront i.e. before submitting Borrow Repo order on the TRM platform. Only those borrow orders that satisfy collateral requirement shall be accepted.

5.2 Guidelines for Submission of Deposits towards Collaterals

5.2.1 Cash

Clearing Members may submit deposit in the form of cash by making the required amount available in their respective clearing bank account and sending an authorization to the Clearing Corporation for debiting the said amount from their clearing account. The same can be provided through a web based facility called Collateral Interface for Members (CIM) which enables the Clearing Members to log in through internet. Clearing Members shall log in through specific user-ids and passwords into CIM. To obtain a Login User ID, Clearing Members are required to send their request to the Clearing Corporation.

The benefit of such cash deposit requests shall be subject to bank confirmation from the respective clearing bank. A Clearing Member who has authorized the Clearing Corporation to debit his clearing account as above shall ensure due performance of the commitment. Non-fulfilment of such obligation will be treated as a violation and/ or non-performance of obligations and shall attract consequences, penalty and/ or penal charges as applicable to violations.



5.2.2 Eligible corporate debt instruments as Collaterals

- a) Clearing Corporation shall specify the list of eligible securities which shall qualify for collateral contribution for borrow position. Clearing Corporation shall also specify the clean price, accrued interest and haircut applicable for the eligible securities.
- b) Clearing Corporation shall make eligible securities in-eligible based on parameters like corporate action, change in rating, minimum residual maturity etc. and such securities declared as ineligible shall not be reckoned for collateral contribution by the Clearing Members from the effective date of such ineligibility. Clearing Corporation shall make securities in-eligible 30 days before the corporate action date. Such in-eligible securities shall be made eligible again on the day following the corporate action date.
- c) Clearing Corporation may, at its discretion, specify the maximum amount of a single security or group of securities that a Clearing Member may deposit by way of collateral contribution;
- d) It shall be the responsibility of the Clearing Member to ensure that its exposures on the outstanding deals are fully covered by the value of the collaterals maintained by it with Clearing Corporation.
- e) Clearing Member shall be required to transfer the eligible securities as collateral to a DEMAT account of Clearing Corporation as specified in point 3.1.
- f) Securities issued by Clearing Member associates, subsidiaries, holding or group companies shall not be considered as eligible collaterals.
- g) Clearing Member shall be entitled to withdraw securities from its collateral contributions. Clearing Corporation shall allow such withdrawal of securities provided the remaining value of securities is sufficient to cover outstanding obligations of the concerned Clearing Member. The Clearing Corporation shall provide a facility to the Clearing Members to submit securities withdrawal request through CIM. For valid securities withdrawal requests, the securities shall be released in batches as decided by Clearing Corporation from time to time.
- h) Clearing Member shall be entitled to substitute securities deposited as collateral contribution with the eligible securities as specified by Clearing Corporation from time to time. Provided that such substitution shall be allowed only if the collateral requirement of the Clearing Member remains fully covered with the substitution of securities;
- i) Clearing Members shall monitor securities deposited as collateral to ensure that the securities due for redemption/corporate action are withdrawn before the redemption/corporate action date and substituted by eligible securities of equivalent value, if needed. In the event of Clearing Member not withdrawing such security, Clearing Corporation shall transfer such securities back to Clearing Members in their DEMAT account.
- j) The Clearing Corporation shall compute value the securities as under: *“Value of a security = (Clean Price + Accrued Interest) – Applicable haircut”*.
- k) For calculation of accrued interest, “Actual/Actual” day count convention shall be followed.
- l) The applicable haircut shall be the rating based haircut as prescribed by RBI or a higher haircut as specified by the Clearing Corporation from time to time. The haircut shall be 10% for securities with residual maturity of less than 1 year, 12.50% for securities with residual maturity of 1 year to 3 years and 15% for securities with residual maturity greater than 3 years.



- m) Clearing Corporation may prescribe additional prudential norms for limits in respect of the eligible securities. The prudential norms will include participant-wise and market wide limits at issuer level and/or issue level as specified from time to time.
- n) Clearing Corporation may prescribe clearing member wise borrowing/lending limits from time to time

5.3 Collateral Requirement:

5.3.1 Collateral requirement for Lending

- i. The margin rates for Repo deals shall be arrived at based on Value at Risk or such other model as may be decided by Clearing Corporation from time to time and the resultant factors shall be expressed as a percentage of the face value of the repo transaction. Clearing Corporation may set different margin rates for Repo deals having different maturity periods.
- ii. The margin obligations for Repo deals of a Clearing Member shall be computed by multiplying the net position of each maturity with the corresponding margin rates as applicable for the Clearing Member and then aggregating the margin obligations.
- iii. To begin with the margin rate applicable for Lend Repo deal shall be 0.50% on the Lent amount.
- iv. The collateral blocked shall be the margins applicable to the extent of net lend position for each maturity date within the each eligible security / basket as decided by Clearing Corporation from time to time.

5.3.2 Collateral requirement for Borrowing

- i. The Collateral required for Borrowing shall be the borrowed amount plus the repo interest payable at the forward leg i.e.
 - a. $\text{Forward leg obligation} = \text{Ready leg obligation} + \text{Repo Interest}$
 - b. $\text{Repo interest} = \text{Ready Leg value} * \text{Repo tenor} * \text{Repo rate} / 36500$
 - c. The repo interest shall be computed based on Actual/365 day count convention
- ii. The collateral blocked shall be to the extent of net borrowed position at the forward leg for each maturity date within the each eligible security / basket as decided by Clearing Corporation from time to time.

5.4 Collateral Revaluation

- i. The securities deposited by the Clearing Member towards collateral contribution shall be subjected to daily valuation;
- ii. In the event of net value of such securities, falling short of the outstanding borrowing position of the Clearing Member, Clearing Corporation shall make a margin call on such Clearing Members ;



- iii. Clearing Corporation may require Clearing Member to provide additional collaterals, in case of a sudden increase in volatility of interest rates/ securities prices or downgrade of securities rating. This may be done by an increase in the haircut for a specified security/(ies) The additional collateral shall be subject to:
 - a. Outstanding position of a Clearing Member; and/ or
 - b. Securities contribution to Collateral;
- iv. Clearing Corporation may impose such additional collateral requirement at any time during the day. As such, the Collateral balance of the Clearing Members may be reduced to the extent of increase in the hair cut in respect of their outstanding positions
- v. Upon changes in haircut, if it is observed that the Collateral balance of a Clearing Member is inadequate to cover the requirements on account of existing borrowing / lending by the Clearing Member, it shall be the responsibility of the said Clearing Member to replenish the shortfall as directed by Clearing Corporation.
- vi. Failure of the Clearing Member to provide additional collateral shall be treated as a violation and shall be dealt with accordingly.

5.5 Early Pay-in of Funds

- i. Clearing Members with forward leg borrow payable positions are permitted to provide Early Pay-in of funds. However, this facility is available only on the settlement day.
- ii. Early Pay-in of Funds shall be provided through the Collateral Interface for Member (CIM).
- iii. On successful confirmation by the Clearing Banks on availability of funds, the blocked collateral of the Clearing Member shall be freed up to the extent of early pay-in received

5.6 Rollover of Borrow Positions

- i. Rollover can be done on the forward leg settlement day for the original borrow positions payable
- ii. Rollover can be done for the tenor which may be same or different from the original transaction.
- iii. Collateral shall remain blocked till the settlement of forward leg of the rollover position.
- iv. In case if the rollover order requires any additional collaterals, then such order shall only be accepted if additional collaterals are available.

5.7 Core Settlement Guarantee Fund (Core SGF)

Clearing Corporation shall establish a dedicated Core SGF for Tri-party Repo. The details of such dedicated Core SGF shall be communicated by Clearing Corporation.