

NSE CLEARING LIMITED

**CHAPTER XIV : INDIVIDUALLY SEGREGATED COLLATERAL FACILITY –
TRI-PARTY REPO**

1) Definitions applicable to this Chapter

- a) “Collateral” means such deposits whether in cash or non-cash as specified by the relevant authority from time to time which may be deposited with the Clearing Corporation for meeting margin or settlement obligations or any other obligations or dues as specified by the relevant authority.
- b) “Facility” shall mean the Individually Segregated Collateral Facility provided by the Clearing Corporation for facilitating the deposit of Collaterals by Constituents for deals in the Tri-Party Repo Market of Debt segment.
- c) “Constituent” shall mean such constituent as defined under clause 9 of Chapter 1 who registers with the Clearing Member to avail the Facility subject to such eligibility criteria as may be specified by the relevant authority from time to time.

2) Individually Segregated Collateral Facility

- a) The Clearing Corporation provides the Facility for the purpose of facilitating the deposit of Collaterals by Constituents with the Clearing Corporation either directly or through the Clearing Member for the deals made by them subject to Rules, Byelaws and Regulations of the Clearing Corporation as specified by the Clearing Corporation from time to time.
- b) Notwithstanding anything contained in any other Byelaw in these Byelaws, the relevant authority may facilitate the deposit of Collateral by Constituents of Clearing Member under the Facility subject to the Byelaws in this Chapter and such other terms and conditions as prescribed from time to time by the Clearing Corporation.
- c) Under the Facility, Collateral may be deposited by the Constituent with the Clearing Corporation either directly or through its Clearing Member as specified by the Clearing Corporation from time to time. The Clearing Member shall provide the details of the Constituent providing such Collateral to the Clearing Corporation.
- d) The relevant authority may permit withdrawal of such Collateral by the Constituent either directly or through the Clearing Member as specified by the Clearing Corporation from time to time, subject to the fulfilment of all outstanding obligations by the Constituent and such other terms and conditions as may be prescribed by the relevant authority.
- e) The Clearing Corporation shall consider the Collateral deposited towards the margin or settlement obligations or any other obligations or dues of the constituent arising out of the deals entered into by such Constituent and shall not consider the Collateral towards any obligation of the Clearing Member other than that of the Constituent.

- f) The settlement of deals of Constituents availing the Facility shall be carried out separately from the settlement of other deals of the Clearing Member in accordance with the procedures as prescribed by the relevant authority from time to time.
- g) In the event of a default by the Clearing Member of a Constituent, the Collateral deposited by the Constituent may be dealt with in any one or more ways as below:
 - i) The relevant authority may determine if the Constituent has fulfilled margin or settlement obligations or any other obligations or dues arising out of the deals made subject to the Rules, Byelaws and Regulations of the Clearing Corporation and accordingly utilize the Collateral towards meeting such outstanding obligations.
 - ii) The relevant authority may transfer the Collateral deposited by the Constituent to a non-defaulting Clearing Member in accordance with the procedure prescribed by the relevant authority from time to time.
- h) The Clearing Corporation may provide information to the Constituent with respect to the Collateral deposited along with obligations or such other information as prescribed by the Clearing Corporation from time to time.

3) **Lien**

The Collateral provided by the Constituents from time to time, whether in the form of cash, bank guarantee, securities or otherwise, with the Clearing Corporation, shall be subject to a first and paramount lien for any sum due to the Clearing Corporation by such Constituent and all other claims against such Constituent by the Clearing Member for due fulfilment of engagements, obligations and liabilities of such Constituent arising out of or incidental to any dealings made subject to the Byelaws, Rules and Regulations of the Clearing Corporation. The Clearing Corporation shall be entitled to adjust or appropriate such Collateral for such dues and claims, to the exclusion of the other claims against the Constituent, without any reference to such Constituent or the Clearing Member of the Constituent.

4) **Collateral Utilization for Shortage**

Without prejudice to the liability of the Clearing Member for due fulfillment of any deal under these byelaws and regulations, in the event of failure of the Constituent to pay-in funds on a settlement leg, the Clearing Corporation may at its sole discretion reset the limit for the Constituent to zero so as to reject any further order placed by the Constituent. The Clearing Corporation may at its discretion liquidate the collateral of the concerned Constituent and if the liquidated value of the collateral is insufficient to cover the shortfall value then the Clearing Member of the concerned Constituent shall be liable for fulfillment of the difference between the liquidation value and shortfall value along with other applicable charges, if any.

5) **Settlement Finality**

When a settlement has become final and irrevocable, the right of the Clearing Corporation to appropriate any Collaterals contributed by the Constituent towards its settlement or other obligations in accordance with these Byelaws shall take priority over any other liability of or claim against the said Constituent.

6) **Right of Clearing Corporation**

The right of Clearing Corporation to recover the dues from the Constituent, arising from the discharge of its Clearing and settlement functions, from the Collaterals of the Constituents, shall have priority over any other liability of or claim against the Constituents

7) **Privity of Contract**

Notwithstanding anything contained in these Byelaws in general, and in particular with respect to privity of contract under Byelaw 11 of Chapter VI or parties to a deal under Byelaw 3 of Chapter VII, in order to facilitate the deposit of Collateral by a Constituent with the Clearing Corporation under the Facility, the Constituent may be permitted to deposit the Collateral with the Clearing Corporation either directly or through the Clearing Member of the Constituent.

8) **Close Out**

A deal admitted for Clearing and settlement may be closed out by the Clearing Corporation on failure of a Constituent to comply with any of the provisions relating to delivery, payment and settlement of deals or on any failure to fulfil the terms and conditions subject to which the deal has been made, or such other circumstances as the relevant authority may specify from time to time. The deal may be closed out by the Clearing Corporation in such manner, within such time frame and subject to such conditions and procedures as the relevant authority may prescribe from time to time.

9) **Clearing Member Only Parties to Deals**

Without prejudice to the provisions of Chapter VII in general and Byelaws 3 and 5 of Chapter VII in particular, even though the Clearing Corporation does not recognize as parties to deals any persons other than its own Clearing Members, for the limited purpose of Individually Segregated Collateral Facility, the Clearing Corporation shall recognize the Collateral placed by the Constituent towards the obligation of the Constituent.

10) **Clearing Member Only Liable For Margins**

- a) Without prejudice to the provisions of Chapter VIII, even though only Clearing Members are responsible for complying with the provisions related to margins under the said chapter, for the limited purpose of Individually Segregated Collateral Facility, the Clearing Corporation shall recognize the Collateral placed by the Constituent towards the margin obligation of the Constituent as sufficient compliance by the Clearing Member of its margin obligations under the said chapter with respect to such Constituent. However in case of failure by such Constituent, to meet its margin requirements, the Clearing Member shall continue to be responsible for meeting the margin requirements of such

Constituents.

- b) The Clearing Corporation shall from time to time specify margin requirements for the Constituents including initial margin on open positions through risk based algorithms. The Constituents shall furnish and maintain such margins with the Clearing Corporation either directly or through the Clearing Member in such form and within such time as specified by the Clearing Corporation. Every Constituent has a continuing obligation to maintain margins at the level and for the period stipulated by the Clearing Corporation from time to time. The Clearing Corporation shall segregate in such manner as it may deem fit the margins deposited by the Clearing Member on its own account and on behalf of Constituents.

11) **Pay-in and Pay-out of Funds**

The Clearing Corporation shall clear deals under the facility on a netted basis at the Constituent level. At the Clearing Member level, the deals would be grossed based on individual netted positions of all Constituents of the Clearing Member. The Clearing Member may have both pay-in and pay-out of funds settlement obligation on a settlement date. The pay-in/pay-out would be paid to/ received from the Clearing Member, in accordance with the laid down settlement procedures by the Clearing Corporation in this regard. The Clearing Corporation may also facilitate direct transfer of funds for the Constituents based on the instruction received from Clearing Member.

The Clearing Corporation would carry out funds settlement as per the existing procedures either at the designated clearing banks or at RBI.

12) **Obligations of Clearing Member**

The above provisions are only to facilitate the deposit of Collateral by the Constituent under the Facility and are without prejudice to and do not in any way affect the obligations of the Clearing Member under these Byelaws and Regulations in any manner whatsoever.