

Repo in Corporate Debt Securities



Introduction

- **Repo** - It is a **money market instrument**, which enables collateralized short term borrowing and lending through sale/purchase operations in debt instruments
- **Tri-Party Repo** – It is a 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, settlement, custody and management during the life of the transaction
- Currently Repo in Government Securities is being allowed through CCIL platform and Daily Average Volume in Repo Market is around Rs. 1,60,000 Crores
- In order to develop the corporate bond market and to bring liquidity RBI vide circular no **FMRD.DIRD. 03/14.03.002/2014-15** dated February 3, 2015 had permitted repo in bonds issued by multilateral financial institutions
- On August 10, 2017 RBI vide circular no **FMRD.DIRD.3/CGM (TRS) - 2017** issued tri-party repo directions allowing recognized stock exchanges and clearing corporations of stock exchanges or clearing corporations authorized under PSS Act.to act as tri-party agent.



Corporate Debt Repo

There are 2 Models in Corporate debt Repo which BSE Ltd and ICCL (Indian Clearing Corporation Ltd) are jointly going to launch and have got approval from RBI and SEBI

1. Basket Repo with settlement Guarantee

- Screen Based Anonymous Trading System (Boltplus on Web)
- Settlement guarantee by ICCL
- Repo Sub -Type : Transferable (T) and Non-Transferable (NT)

2. Special Repo without settlement Guarantee

- Web based Negotiated Platform (Existing NDS- RST platform)
- Without settlement Guarantee
- Repo Sub-Type : Transferable (T)



Basket Repo – Contract Specifications

Product	Basket Repo
Platform	Anonymous order matching
Repo Tenor	Up to 10 days
Repo Sub-type	Transferable (T): Securities transferred to the Lender Non-transferable (NT): Securities held by Clearing Corporation
Settlement Type (Ready leg)	T+0 & T+1
Tick Size	1 basis point (0.01)
Quotation	Repo Rate (% p.a., up to 2 decimal places)
Market lot	Transferable repo - 100 Lots Non-transferable repo – 1 Lot
Lot size (value)	Transferable repo – 1 Crore Non-transferable repo – 1 Lakh
Basket description of Corporate Bond securities	CBAAAPSU1TO5: 'AAA' rated PSU bonds with residual maturity 1 to 5 yrs. CBAAAPSU5TO10: 'AAA' rated PSU bonds with residual maturity 5 to 10 yrs. CBAAAPSU10TO20: 'AAA' rated PSU bonds with residual maturity 10 to 20 yrs.
Basket description of Certificate of Deposit (CD)	CDA1+20TO360: A1+ rated CD's with residual maturity 20 days to 360 days
Order Type	Limit orders
Client Type	OWN (proprietary) account
Repo Rate range	2% to 20%

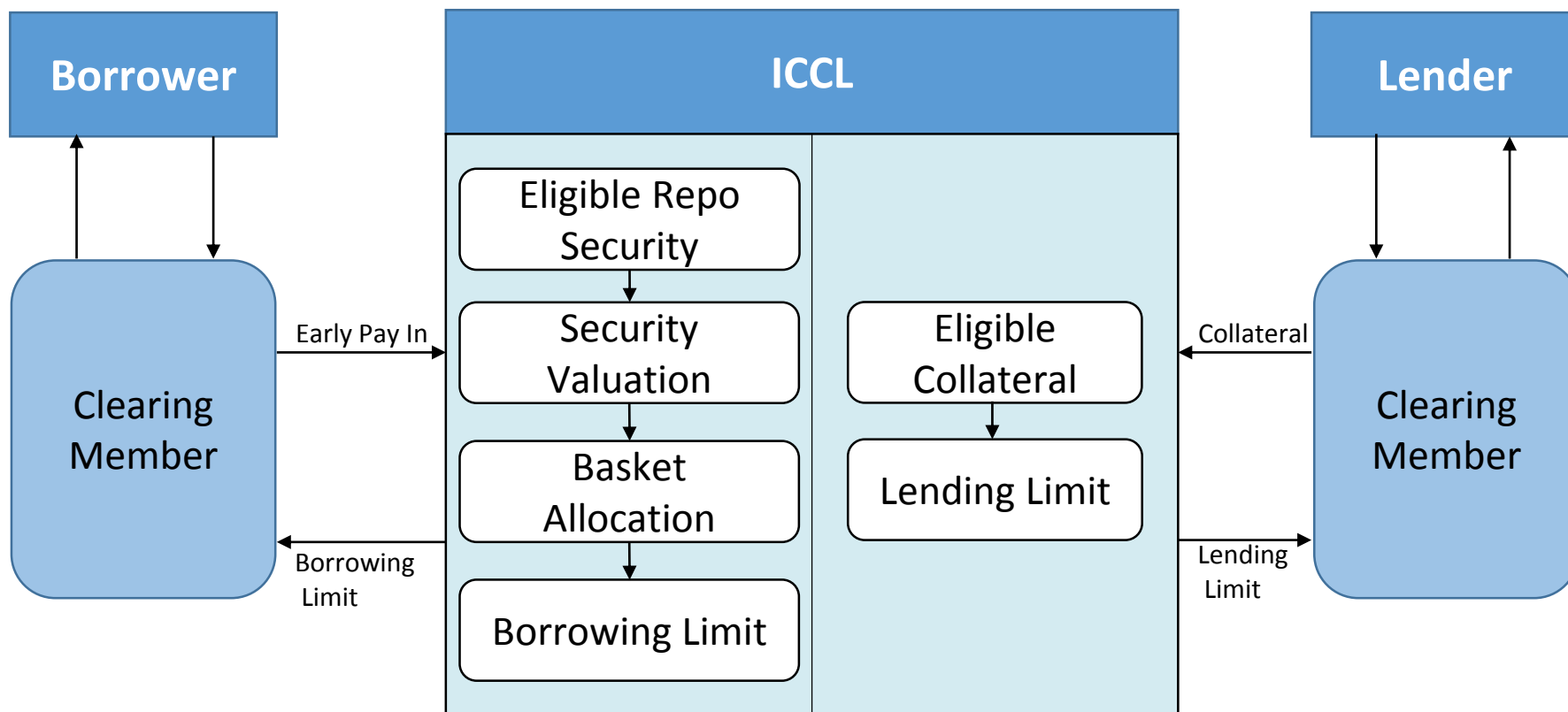


Special Repo – Contract Specifications

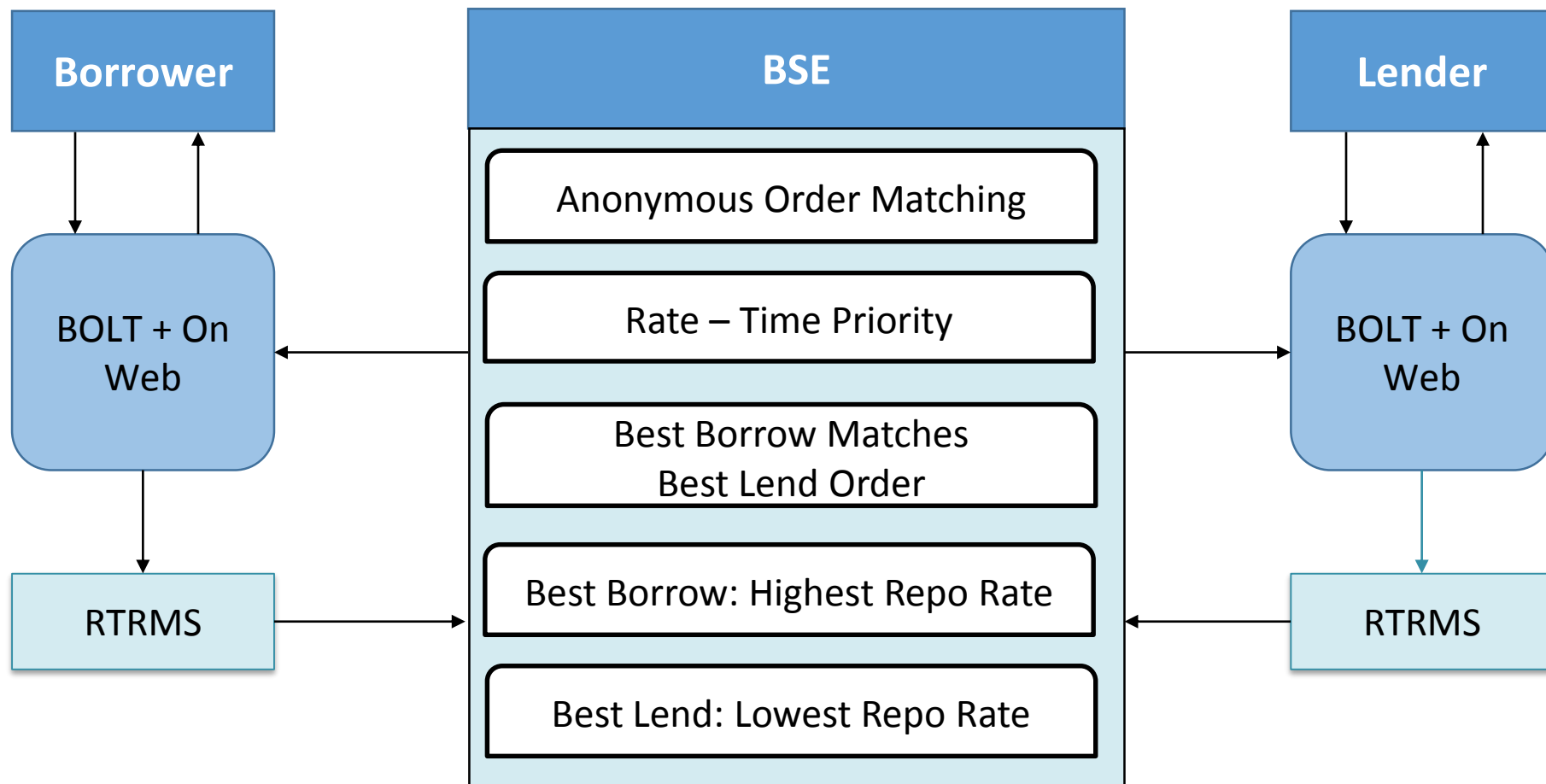
Product	Special Repo
Platform	Negotiated Web Based NDS-RST platform
Repo Tenor	Up to 10 days
Repo Sub-type	Transferable (T): Securities transferred to the Lender
Settlement Type (Ready leg)	T+0 & T+1
Tick Size	1 basis point (0.01)
Quotation	Repo Rate (% p.a., up to 2 decimal places)
Market lot	Transferable repo - 1 Lots
Lot size (value)	INR 1 Crore
Special Repo description of Corporate Bond securities	All Bonds with rating of BBB- and above (List of eligible securities will be Published by BSE)
Special Repo description of Certificate of Deposit (CD)	All CD with rating of A2 and above (List of eligible securities will be Published by BSE)
Order Type	Negotiated
Client Type	OWN (proprietary) account
Repo Rate range	2% to 20%



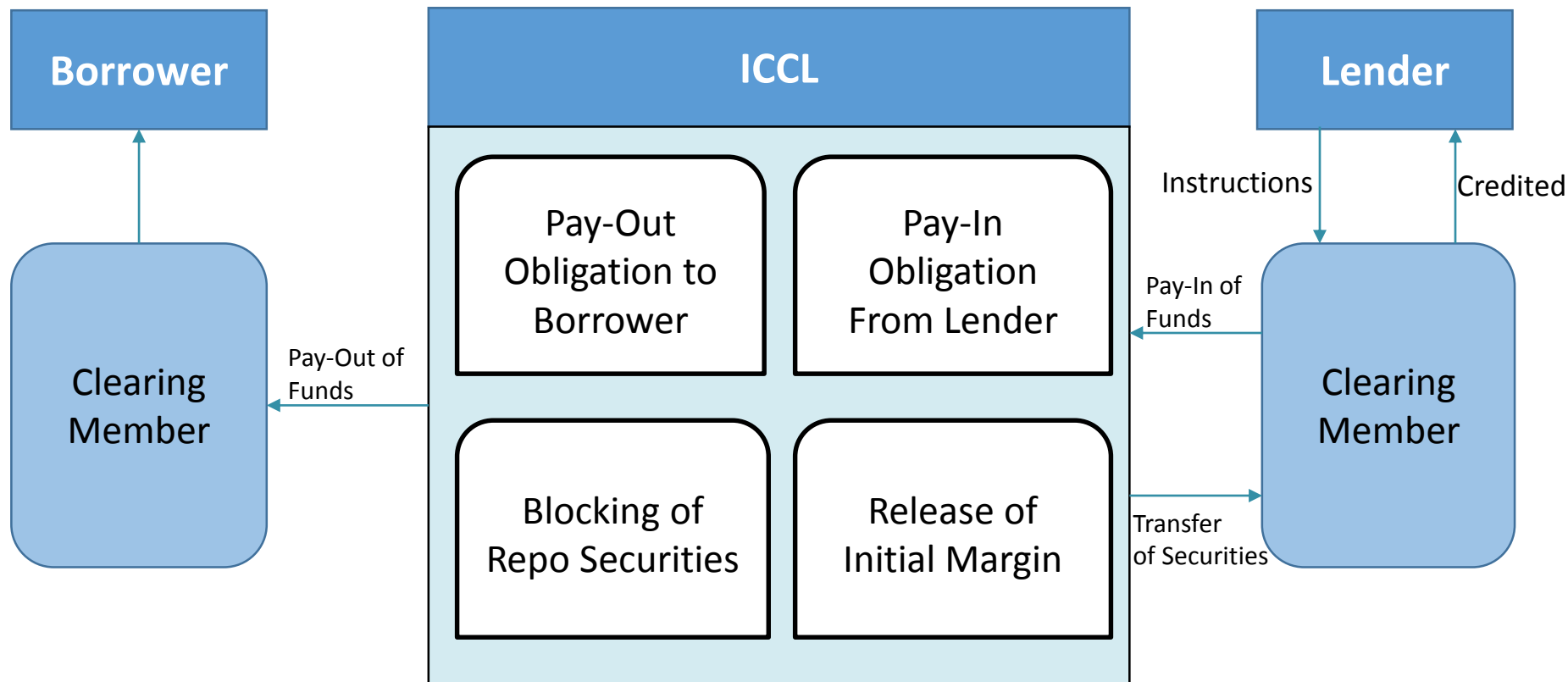
Collateral and Margins



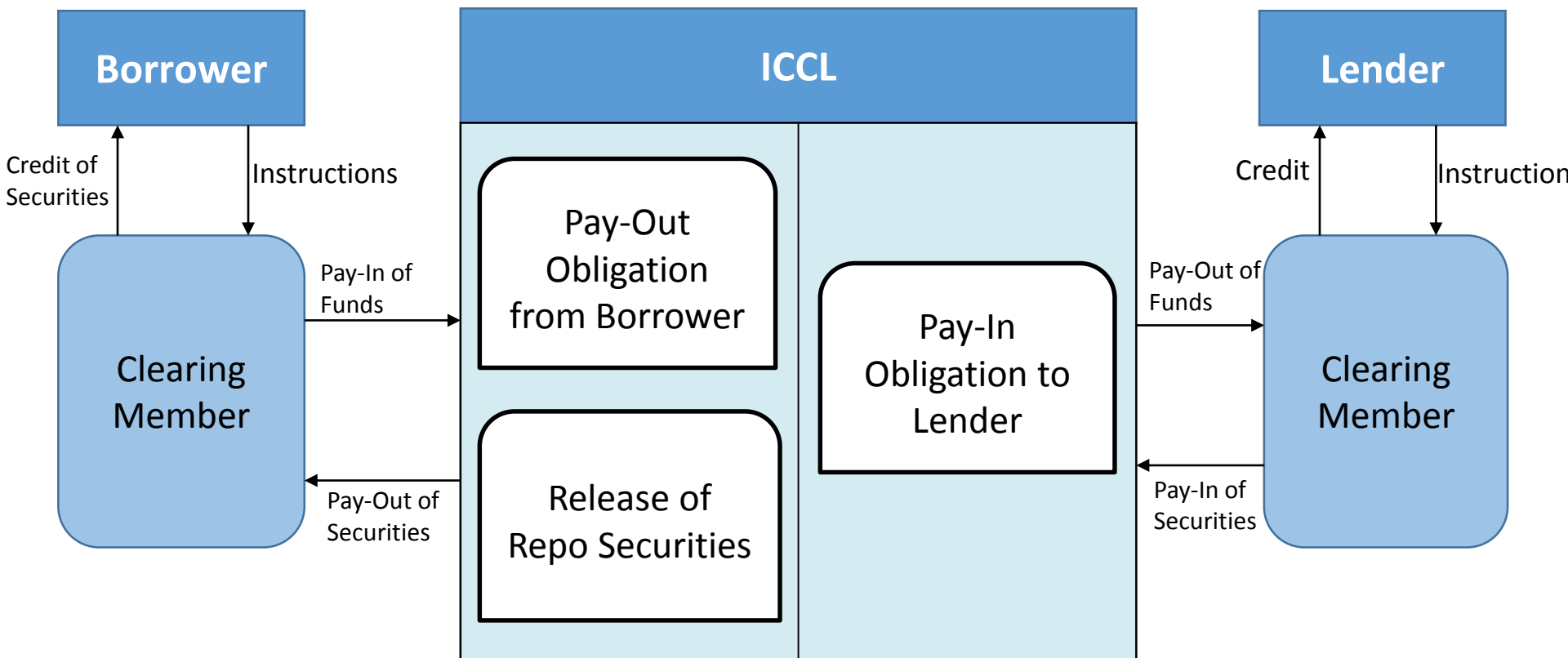
Anonymous Order Matching Mechanism



Ready Leg Settlement



Forward Leg Settlement



Membership

Guaranteed Tri-party Repo

- Any participant desirous of participating in BSE Tri-party repo need to become member in New Debt segment of BSE.
- All the existing members of New Debt Segment will be allowed to participate provided they fall under the eligible participant criteria specified by RBI vide Tri Party Repo directions dated August 10, 2017.
- In addition all the new and existing members will need to execute Tri-Party Repo agreement with BSE/ICCL before commencing the trading.

Negotiated Tri-Party Repo

- All eligible participants specified by RBI vide Tri Party Repo directions dated August 10, 2017 can access the platform after executing Tri-Party Repo agreement with BSE/ICCL.
- Note: Only one Tri-party repo agreement needs to be executed for accessing both Guaranteed and Negotiated platform.



Advantages of BSE for Tri-Party Repo

- Only exchange platform for transferable repo type
- Only exchange platform which provides quote based negotiation platform in special repo
- Anonymous and highly secure Order Matching platform for Basket Repo
- More than 3500+ Corporate Bonds and Certificate of Deposits Allowed initially for Repo.



List of Eligible participants

- Any **Scheduled Commercial Bank** excluding RRBs and LABs
- Any **Primary Dealer** authorised by the RBI
- Any **non-banking financial company** registered with the RBI (other than Government companies as defined in sub-section(45) of section 2 of the Companies Act, 2013)
- All-India Financial Institutions, Exim Bank, NABARD, NHB and SIDBI etc.
- India **Infrastructure Finance Company** Limited(IIFCL)
- Any **scheduled urban cooperative bank** subject to adherence to conditions prescribed by RBI
- Other regulated entities, subject to regulator's approval viz.,
 - **Mutual fund** registered with SEBI
 - **Housing finance company** registered with National Housing Bank;
 - **Insurance company** registered with the IRDA
- Any other entity like Corporate, Merchant Bankers, Stock Broking Entities etc. as approved by RBI/SEBI from time to time

* Source: RBI Circular FMRD.DIRD.6/14.03.002/2016-17



Roles and Obligations of Tri-Party Agent

- (i) The agent shall provide equitable access for trading to all its members/market participants.
- (ii) The trading process should be transparently specified.
- (iii) All tri-party repos shall be reported within 15 minutes of the trade for public dissemination to CCIL or to exchanges or any other reporting platform authorized for the purpose by the Reserve Bank.
- (iv) In case the agent undertakes settlement of trades itself, it would seek approval under the PSS Act 2007. Agents not settling trades themselves will be responsible for routing the trades for settlement.
- (v) The agent shall be responsible for revaluation of the collateral, margining, income payments on the collateral, as well as substitution of any collateral as per terms and conditions prescribed in the member agreement.
- (vi) The agent shall be required to put in place transparent and reliable collateral valuation norms.
- (vii) The agent shall be required to maintain records of trades in easily retrievable media for at least 8 years.
- (viii) The agent shall ensure adherence to the Reserve Bank's repo directions.
- (ix) The agent shall submit to the Reserve Bank such returns, documents and other information as may be required by the Reserve Bank from time to time.



Thank You

