

RESERVE BANK OF INDIA
FINANCIAL MARKETS REGULATION DEPARTMENT
1st FLOOR, CENTRAL OFFICE, FORT
MUMBAI 400 001
FMRD.DIRD./CGM(TRS) - 2017 dated April 11, 2017
Draft Tri-Party Repo (Reserve Bank) Directions, 2017

The Reserve Bank of India having considered it necessary in public interest and to regulate the financial system of the country to its advantage, in exercise of the powers conferred by section 45W of the Reserve Bank of India Act, 1934 and of all the powers enabling it in this behalf, hereby issues the draft Tri-Party Repo (Reserve Bank) Directions, 2017 dated April 11, 2017 (the Directions).

1. Short Title and commencement

These directions shall be referred to as the Tri-Party Repo (Reserve Bank) Directions, 2017

2. Definitions:

- a. "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.
- b. "Reverse repo" means an instrument for lending funds by purchasing securities with an agreement to resell the securities on a mutually agreed future date at an agreed price which includes interest for the funds lent.
- c. Tri-party repo is a type of repo contract where a third entity (apart from the borrower or 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. Eligible Collateral:** Eligible collateral for tri-party repo shall be securities as specified in Repo Directions [FMRD.DIRD.03/14.03.002/2014-15 dated February 3, 2015](#) and [FMRD.DIRD.6/14.03.002/2016-17 dated August 25, 2016](#) and as updated form time to time. Substitution of collateral will be permitted subject to the terms and conditions prescribed in the bilateral master repo agreement.

4. **Eligible Participants:** Eligible participants will be as specified in Repo Directions [FMRD.DIRD.03/14.03.002/2014-15 dated February 3, 2015](#) [FMRD.DIRD.6/14.03.002/2016-17 dated August 25, 2016](#) and as updated from time to time.
5. **Trading Venue:** Tri-party repo can be traded Over-the-counter (OTC) including on electronic platforms.
6. **Reporting of Trades:** All tri-party repos shall be reported within 15 minutes of the trade to the tri-party agent.
7. **Documentation:** The participants shall enter into standard bilateral master repo agreements. Separate agreements between a participant and a tri-party agent would be required as per the documentation prescribed by the tri-party agent which shall stipulate terms of trades.
8. **Tenor, Settlement, Haircut and Disclosures:** The tenor, settlement mechanism, minimum haircut, and disclosure requirements for tri-party repos will be identical to those applicable to normal repos, in terms of RBI directions [FMRD.DIRD.03/14.03.002/2014-15 dated February 3, 2015](#) [FMRD.DIRD.6/14.03.002/2016-17 dated August 25, 2016](#) or as permitted by RBI.

9. Tri-Party Agent:

1. Eligible Tri-Party Agents

- A. All tri-party agents need authorization from RBI to act in that capacity, before they commence operations.
- B. Scheduled commercial banks are eligible to be tri-party agents.
- C. Other entities regulated by RBI or SEBI subject to meeting the following criteria:

(a) Regulatory Approval

- (i) The applicant should have approval from the concerned regulator to conduct business of tri-party agent.
- (ii) An applicant will not be eligible for authorisation, if within the last 5 years, it has been subject to litigation or adverse regulatory action or punitive action that the Reserve Bank considers material.

(b) Financial Criteria

- (i) The applicant should have minimum net owned funds of Rs. 25 crore which should be maintained at all times.
- (ii) The foreign shareholding, if any, of the applicant entity would be as per the extant foreign investment policy.

(c) Experience

The applicant should have past experience of at least five years in the financial sector, India or abroad, preferably in offering custodial services.

(d) Infrastructure

Tri-party agents should have adequate system infrastructure to carry out their roles and obligations stated below. They should submit documentation/certification to this effect.

D. Roles and Obligations:

- i. 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 agreement.
- ii. The agent shall be required to put in place transparent and reliable collateral valuation norms.
- iii. The agent would be responsible for reporting the trades to the designated Trade Repository. It is required to set up a mechanism to ensure flow of trade details to the authorised trade repository and the settlement system. The agent should report trades to the Trade Repository within 15 minutes of receiving intimation of trade from counterparties to the trade. However, the agent would not be involved in settlement of tri-party repo transactions, unless it is a bank.
- iv. The agent shall be required to maintain records of trades in easily retrievable media for at least 8 years.
- v. The agent should take all reasonable measures to ensure adherence to RBI's repo directions.

E. Application Procedure for Authorisation of Tri-Party Agent:

- i. Entities meeting the eligibility criteria as outlined in para 9 (C) above may apply in the prescribed format (Annex) to the Chief General Manager, Financial Markets Regulation Department, Reserve Bank of India, 1st Floor, Main Building, Shaheed Bhagat Singh Marg, Mumbai – 400001
- ii. The decision to authorise entities to act as Tri-Party Agent in repo market will be taken by RBI based on its perception of market needs, suitability of the applicant and the likely value addition to the system.

II. Exit Procedure

If an authorised Tri-Party agent intends to terminate operations, it should do so in a smooth manner without disrupting the market; it should abide by the date of termination of Tri-Party operations and any other conditions that the Reserve Bank may specify.

- 10.** Comments on the draft framework are invited from market participants by May 5, 2017. Comments may be [emailed](#) or sent by post to the Chief General Manager, Reserve Bank of India, Financial Markets Regulation Department, Central Office, Main Building, Mumbai – 400001.

(T. Rabi Sankar)
Chief General Manager

Annex

APPLICATION FORM FOR AUTHORISATION OF TRI-PARTY AGENT IN REPO MARKET

From

Name and address of registered office/ principal place of business of applicant

(By Registered Post AD/ Hand Delivery)

To
Chief General Manager
Financial Markets Regulation Department
Reserve Bank of India
Central Office
1st Floor RBI Main Building
Shaheed Bhagat Singh Marg
Mumbai –400001

Dear Sir,

Application for authorization as Tri-Party Agent in Repo Market

We hereby submit an application for authorization as Tri-Party Agent for corporate bond and/ or Government securities (Strike out whichever is not applicable). The required information and documents have been furnished as per instructions.

2. We declare that to the best of our knowledge and belief the information furnished in the statements/annexes enclosed are true/correct and complete.

Yours faithfully

Signature:

Name:

Designation:

Company Seal:

Date and Place:

Encl: sheets

APPLICATION FOR AUTHORISATION AS TRI-PARTY AGENT IN REPO MARKET

PART – A

1. Name of applicant
2. Constitution of applicant
 - (a) Is the applicant a company or firm or any other entity
 - (b) If the applicant is a company, is it a private limited company or public limited company
 - (c) If the applicant is any other entity please specify the statute under which it is incorporated/established
3. Address of Registered Office and Principal Offices (if applicant is a company)
4. Whether approval of regulator (RBI/SEBI) obtained? Please attach original approval

PART – B

1. Name of the segment for authorization as tri-party agent: Government Securities and/ or Corporate Bonds
2. Full details of the proposal for tri-party repo to be furnished, including process flow, connectivity to the authorised clearing house, settlement infrastructure and trade repository and other details as required in the directions
3. Previous experience of applicant in financial market (Please specify experience in custody business, if any)
4. An undertaking by the CEO of the applicant company that it has not been subject to litigation or adverse regulatory action or punitive action in the last 5 years