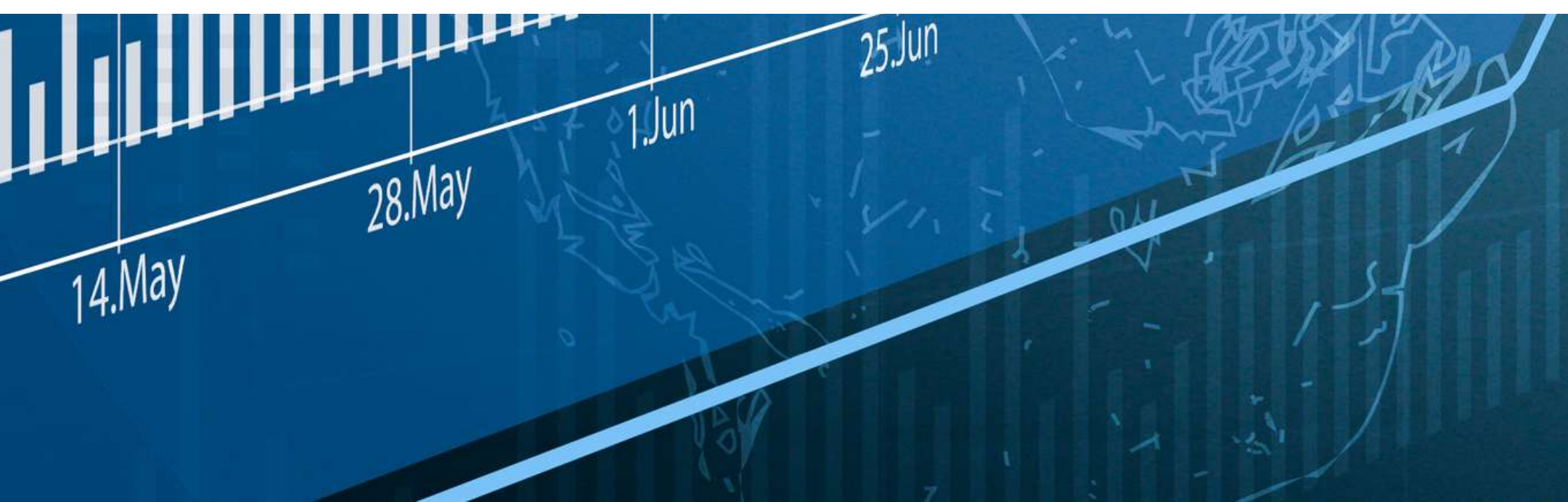




SEBI Issues Circular for Contributions by Eligible Issuers of Debt Securities to the Settlement Guarantee Fund of the Limited Purpose Clearing Corporation for Repo Transactions in Debt Securities



On 13th April 2023, the Securities and Exchange Board of India (SEBI) issued a circular in regard to contributions by eligible issuers of debt securities to the Settlement Guarantee Fund of the Limited Purpose Clearing Corporation for repo transactions in debt securities.

A well-functioning repo market contributes to the development of the debt securities market, inter alia, by way of boosting the liquidity of the underlying debt securities and providing a facility to market participants to monetise their debt holdings without selling the underlying, thus meeting their temporary need for funds. The development of an active repo market in debt securities may also be beneficial to the Issuers as the enhanced liquidity may positively impact the yield, thereby resulting in reduced costs of raising funds for the issuers in the primary market.

The SEBI Board, in its meeting held on 29th September 2020, permitted the setting up of a Limited Purpose Clearing Corporation (LPCC) for clearing and settling repo transactions in debt securities. The Board, inter alia, also decided that an amount of 0.5 basis points of the issuance value of debt securities per annum be collected upfront prior to the listing of such securities in order to build the Settlement Guarantee Fund of the LPCC.

In this regard, AMC Repo Clearing Limited (ARCL) has been granted recognition as LPCC by SEBI. The Reserve Bank of India also accorded necessary approvals to ARCL to function as a Clearing Corporation with a limited purpose and to offer central counterparty services for repo transactions in debt securities.

It has been decided to put in place the following framework for the upfront collection of amounts as charges from eligible issuers at the time of allotment of debt securities -

- The eligible issuers shall be notified by the LPCC as per its risk management policy.
- An amount of 0.5 basis points of the issuance value of debt securities per annum based on the maturity of debt securities shall be collected by the Stock Exchanges and placed in an escrow account prior to the allotment of the debt securities. This amount is applicable on a public issue or private placement of debt securities under the SEBI (Issue and Listing of Non-convertible Securities) Regulations, 2021.
- Stock Exchanges shall transfer the amounts so collected to the bank account of the LPCC within one working day of the receipt of the amount and inform the details of the same to the LPCC.

- The details of the amounts so collected shall also be disclosed by the Stock Exchanges on their websites.
- The above-mentioned charges shall be collected on the basis of Actual/ Actual. The LPCC shall provide an illustration of the calculation of the amounts to be contributed by the eligible issuers.

The provisions of this circular are to come into force for the offer documents filed on or after 01st May 2023 for private placement/ public issues of debt securities by such eligible issuers as specified by the LPCC. As mentioned earlier, the LPCC shall issue a circular accordingly to operationalise the same.

This circular is issued through the exercise of powers as conferred under Section 11(1) of the Securities and Exchange Board of India Act, 1992, to be read with Regulation 55(1) of SEBI (Issue and Listing of Non-convertible securities) Regulations, 2021 in order to protect the interests of investors in securities and to promote the development of, and to regulate the securities markets.

Official Notification Attached [Here](#)



Sushree Dash
Legal Researcher

Existing FFCs/Non-Bank AD Category-II are directed to register themselves on the APConnect application within three months from the date of issue of this circular, through the weblink indicated above. Subsequent to registration on APConnect, requests for various other facilities/approvals listed above and submission of returns by the entities are to be done through the APConnect application. The FFCs and Non-Bank AD Cat-II are to adhere to the instructions issued by the Reserve Bank of India, in this regard, from time to time.

On receipt of confirmation from the Regional Office of the Reserve Bank regarding the generation of license through APConnect, the existing FFCs/n]Non-Bank AD Cat-II shall surrender their existing license to the respective Regional Office of the Reserve Bank.

Eligible entities, desirous of applying for fresh FFC/Non-Bank AD Category II/MTSS Agent Licence/Authorisation are to henceforth submit their application only through APConnect.

The directions contained in this circular are issued through the exercise of powers as conferred under Section 10(4) and Section 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions/approvals, if any, required under any other law.