

**CIRCULAR**

**SEBI/HO/DDHS/DDHS-RACPOD1/CIR/P/2023/56**

**April 13, 2023**

**To**

**All eligible issuers<sup>1</sup> of debt securities  
Recognized Limited Purpose Clearing Corporations  
Recognized Stock Exchanges  
Registered Depositories**

**Madam/Sir,**

**Sub: Contribution by eligible Issuers of debt securities to the Settlement Guarantee Fund of the Limited Purpose Clearing Corporation for repo transactions in debt securities**

1. 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 monetize 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 to the issuers in the primary market.
2. The SEBI Board in its meeting held on September 29, 2020 permitted the setting up 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

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<sup>1</sup> To be specified by the Limited Purpose Clearing Corporation

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.

3. 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 counter party services for repo transactions in debt securities.
4. It has been decided to put in place, the following framework for upfront collection of amounts as charges from eligible issuers at the time of allotment of debt securities:
  - a. The eligible issuers shall be notified by the LPCC as per its risk management policy.
  - b. 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.
  - c. 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.
  - d. The details of the amounts so collected shall also be disclosed by the Stock Exchanges on their websites.
  - e. 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.

5. The provisions of this circular shall come into force for the offer documents filed on or after May 01, 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.
6. This circular is issued in exercise of powers under Section 11(1) of the Securities and Exchange Board of India Act, 1992 to protect the interests of investors in securities and to promote the development of, and to regulate the securities markets read with Regulation 55(1) of SEBI (Issue and Listing of Non-convertible securities) Regulations, 2021.
7. This Circular is available on SEBI website at [www.sebi.gov.in](http://www.sebi.gov.in) under the categories 'Circulars' under 'Legal Framework'.

Yours faithfully,

**Pradeep Ramakrishnan**  
**General Manager**

**Department of Debt and Hybrid Securities**

*Tel No.: 022-2644 9246*

*Email ID: [pradeepr@sebi.gov.in](mailto:pradeepr@sebi.gov.in)*