



CIRCULAR

SEBI/HO/IMD/DF2/CIR/P/2021/17

February 2, 2021

**Asset Management Companies (AMCs)/
Trustee Companies/ Board of Trustees of Mutual Funds/
Association of Mutual Funds in India (AMFI)**

Sir / Madam,

Subject: Setting up of Limited Purpose Clearing Corporation (LPCC) by Asset Management Companies (AMCs) of Mutual Funds

1. With the objective of development of the corporate bond market from the perspective of mutual funds, the Mutual Fund Advisory Committee (MFAC) of SEBI had constituted a Working Group consisting of representatives of various Mutual Funds, Clearing Corporation of India Limited (CCIL) and AMFI for detailed deliberation. The Working Group amongst other suggestions recommended that AMCs of Mutual Funds should set up a Limited Purpose Clearing Corporation (LPCC) for clearing and settling repo transactions in corporate debt securities by contributing an amount of INR 150 Crore. This was recommended as it was felt that mutual funds would be natural beneficiaries of such a clearing corporation. The recommendation of setting up LPCC was also deliberated with various issuers of corporate bonds and in Corporate Bonds and Securitization Advisory Committee (CoBoSAC).
2. Upon deliberations, SEBI Board in its meeting held on September 29, 2020, approved a proposal to facilitate setting up of a LPCC for clearing and settling



repo transactions in corporate debt securities and accordingly Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 (SECC Regulations), have been amended vide gazette notification no. SEBI/LAD-NRO/GN/2020/32 dated October 08, 2020.

3. Accordingly, it has been decided that AMCs shall contribute INR 150 Cr. towards share capital of LPCC in proportion to the Asset Under Management (AUM) of open ended debt oriented mutual fund schemes (excluding overnight, gilt fund and gilt fund with 10 year constant duration but including conservative hybrid schemes) managed by them.
4. The contribution shall be based on Average AUM of debt oriented schemes as detailed above for the Financial Year (FY) 2019-20. In this regard, AMFI shall calculate contribution per AMC based on the Average AUM of aforementioned schemes for the FY 2019-20 and inform all AMCs. Accordingly, it will be obligatory on the part of AMC(s) to contribute towards the share capital of LPCC.
5. The setting up of LPCC and making the aforesaid contribution shall be in compliance with the networth requirements, other conditions and timelines, if any, as per SECC Regulations and circulars issued thereunder from time to time.
6. AMCs shall ensure that the networth as prescribed under Regulation 21(f) of SEBI (Mutual Funds) Regulations, 1996 shall be maintained over and above the contribution made towards setting up of the LPCC.
7. This circular is issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992, read with the provisions of regulations 77 of SEBI (Mutual Funds) Regulations, 1996, to protect the



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Securities and Exchange Board of India

interest of investors in securities and to promote the development of, and to regulate the securities market.

Yours faithfully,

Hruda Ranjan Sahoo

Deputy General Manager

Tel no.: 022-26449586

Email: hrsahoo@sebi.gov.in