

CIRCULAR

SEBI/HO/DDHS/DDHS-RACPOD1/P/CIR/2023/57

April 17, 2023

To

Recognized Limited Purpose Clearing Corporations
Recognised Stock Exchanges

Madam/ Sir,

Sub: Dispute Resolution Mechanism for Limited Purpose Clearing Corporation (LPCC)

1. Regulation 22F of Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 ('SECC Regulations') mandates a recognized LPCC to put in place a dispute resolution mechanism, for settlement of disputes or claims arising out of transactions cleared and settled by it, in the manner as specified by the Board in consultation with the Reserve Bank of India (RBI).
2. Accordingly, a LPCC shall adopt the following dispute resolution mechanism for settlement of disputes or claims arising out of transactions cleared and settled by it:
 - a) Disputes between Clearing Members *inter-se*:
 - (i) The LPCC shall adopt an appropriate dispute resolution mechanism for deciding disputes between the Clearing Members *inter-se* as prescribed by SEBI from time to time.
 - (ii) Subject to the mechanism prescribed by SEBI from time to time in terms of 2(a)(i) above, the disputes arising between Clearing Members *inter-se* of the LPCC shall be settled by conciliation and/or by an arbitration panel consisting of three Clearing Members other than the Clearing Member(s)

who are party to the dispute. The decision of the arbitration panel shall be final and binding on the parties to the dispute.

(iii) Subject to the mechanism prescribed by SEBI from time to time in terms of 2(a)(i) above, a Clearing Member, if not satisfied with the decision of the arbitration panel, may follow the procedure laid down in the Payment and Settlement Systems Act, 2007 and rules/ directions notified thereunder.

b) Disputes between Clearing Member or its Clients and the LPCC:

(i) All disputes between a Clearing Member and the LPCC shall be resolved as per the dispute resolution mechanism prescribed by SEBI from time to time. In case a Clearing Member or the LPCC is not satisfied with the decision as per such mechanism, then the disputes between the Clearing Member and LPCC shall be resolved in accordance with the procedure laid down in the Payment and Settlement Systems Act, 2007 and rules/ directions notified thereunder.

(ii) All disputes between a Client of a Clearing Member and the LPCC shall be resolved as per the dispute resolution mechanism prescribed by SEBI from time to time.

c) Disputes Between the Clearing Member(s) and their Clients:

Disputes arising between Clearing Members and their clients arising out of any transactions cleared and settled or intended to be cleared and/or settled by the LPCC shall be resolved as per the dispute resolution mechanism prescribed by SEBI from time to time.

d) Disputes between the LPCC and its vendors/suppliers/service providers

Disputes arising between the LPCC and its vendors/ suppliers/ service providers shall be resolved as per the dispute resolution mechanism prescribed by SEBI from time to time.

3. The LPCC is directed to:
 - (i) bring the provisions of this circular to the notice of its Clearing Members and also disseminate the same on its website; and
 - (ii) make necessary amendments to the relevant bye-laws, rules and regulations for the implementation of the above circular and communicate regarding the same to SEBI.
4. This circular shall come into force with immediate effect.
5. This circular is issued in exercise of powers conferred 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 market.
6. This Circular is available at www.sebi.gov.in under the link "Legal→Circulars".

Yours faithfully,

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