



AMC Repo Clearing Limited

[Source: PIB](#)

Why in News?

Recently, the Ministry of Finance inaugurated the Limited Purpose Clearing Corporation (LPCC) called **AMC Repo Clearing Limited (ARCL)**.

What is AMC Repo Clearing Limited (ARCL)?

▪ About:

- ARCL is a **Limited Purpose Clearing Corporation** that provides clearing and settlement services to all trades made in corporate debt securities on the [National Stock Exchange \(NSE\)](#) and [Bombay Stock Exchange \(BSE\)](#).
- It received in-principle approval from the [Securities and Exchange Board of India \(SEBI\)](#) under the **Stock Exchanges and Clearing Corporations (SECC) Regulations, 2018**.
 - Also, ARCL has been granted **Certificate of Authorization by RBI under [Payment and Settlement Systems \(PSS\) Act, 2007](#)** to offer Central counterparty clearing house (CCP) services for repo transactions in corporate debt securities.

▪ Functions:

- ARCL offers [triparty repo services](#) and **central counterparty services** to facilitate **repo transactions in corporate bonds**, which are short-term borrowings backed by securities as collateral.
- ARCL will help to **widen and deepen the corporate bond repo market**, which is currently underdeveloped and illiquid compared to the government bond repo market.
- It **allows holders of bonds to meet short-term liquidity needs without liquidating their assets**, providing flexibility to market participants.
- ARCL will also reduce the **counterparty risk, operational risk and settlement risk for the participants** in the corporate bond repo market.

Note:

- **Secondary Market:** The [secondary market](#), also known as the **aftermarket**, refers to the financial market where **previously issued financial instruments**, such as stocks, bonds, derivatives, and other securities, **are bought and sold among investors**.
- **Corporate Bond:** Corporate bonds are debt securities issued by corporations to raise capital for various purposes, such as **expanding operations, funding projects, or refinancing existing debt**.
- **Triparty Repo Services:** Triparty repo services are financial transactions where a third **party, often a custodian or clearing agent**, acts as an intermediary between the two parties involved in a **repurchase agreement (repo)**.

UPSC Civil Services Examination, Previous Year Question (PYQ)

Q. Which of the following is issued by registered foreign portfolio investors to overseas investors who want to be part of the Indian stock market without registering themselves directly? (2019)

- (a) Certificate of Deposit
- (b) Commercial Paper
- (c) Promissory Note
- (d) Participatory Note

Ans: (d)

Q. Consider the following markets: (2023)

1. Government Bond Market
2. Call Money Market
3. Treasury Bill Market
4. Stock Market

How many of the above are included in capital markets?

- (a) Only one
- (b) Only two
- (c) Only three
- (d) All four

Ans: (b)

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