



CIRCULAR

CIR/MRD/DP/15/2010

April 28, 2010

The Executive Directors/Managing Directors
of all Stock Exchanges

Dear Sir/Madam,

Sub: Margining of institutional trades in the cash market

1. Please refer to our circular No. MRD/DoP/SE/Cir-07/2005 dated February 23, 2005 and circular No. MRD/DoP/SE/Cir-10/2008 dated April 17, 2008 on 'Comprehensive Risk Management Framework for the cash market' and circular no. MRD/DoP/SE/Cir-06/2008 dated March 19, 2008 and circular no. MRD/DoP/SE/Cir-18/2008 dated May 22, 2008 on 'Margining of institutional trades in the cash market'.
2. Reserve Bank of India (RBI) vide A. P. (DIR Series) Circular no. 47 dated April 12, 2010 has permitted FIIs to offer domestic Government Securities (acquired by the FIIs in accordance with the provisions of Schedule 5 to Notification No. FEMA 20/2000-RB dated May 3, 2000, as amended from time to time and subject to the overall limits specified by the SEBI from time to time; the current limit being USD 5 billion), and foreign sovereign securities with AAA rating, as collateral to the recognized Stock Exchanges in India, in addition to cash, for their transactions in the cash segment of the market. However, cross-margining of Government Securities (placed as margins by the FIIs for their transactions in the cash segment of the market) shall not be allowed between the cash and the derivative segments of the market.
3. The Stock Exchanges are advised to:
 - a. make necessary amendments to the relevant bye-laws, rules and regulations for the implementation of the above decision.
 - b. bring the provisions of this circular to the notice of the member brokers/clearing members of the Exchange and also to disseminate the same on the website.
 - c. communicate to SEBI, the status of the implementation of this circular in the Monthly Development Report.



भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

4. This circular is being 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.

Yours faithfully,

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