



CIRCULAR

CIR/MRD/DP/ 18 /2013

May 30, 2013

To

All Stock Exchanges, Clearing Corporations and Depositories.

Dear Sir / Madam,

Subject: Review of the Securities Lending and Borrowing (SLB) framework

The framework of SLB was specified vide SEBI circular no. MRD/DoP/SE/Dep/Cir-14/2007 dated December 20, 2007 and operationalised with effect from April 21, 2008. The SLB framework was subsequently revised based on the need and representations from market participants vide circulars no. MRD/DoP/SE/Cir-31/2008 dated October 31, 2008, MRD/DoP/SE/Dep/Cir-01/2010 dated January 06, 2010, CIR/MRD/DP/33/2010 dated October 07, 2010 and CIR/MRD/DP/30/2012 dated November 22, 2012.

2. In order to further extend the benefits of SLB and to facilitate efficient use of margin collateral, a review of the SLB framework was undertaken in consultation with Secondary Market Advisory Committee (SMAC). Accordingly, it has been decided to modify the extant SLB framework as under:

2.1. Eligible scrips for SLB: In addition to the scrips on which derivatives contracts are available, scrips that fulfill the following criteria shall be considered eligible for SLB:

(a) Scrip classified as 'Group I security' as per SEBI circular MRD/DoP/SE/Cir-07/2005 dated February 23, 2005;

AND

(b) Market Wide Position Limit (MWPL) of the scrip, as defined at para 12 (a) of Annexure 2 of the MRD/DoP/SE/Dep/Cir-14/2007 dated December 20, 2007, shall not be less than Rs.100 crores;

AND

(c) Average monthly trading turnover in the scrip in the Cash Market shall not be less than Rs.100 crores in the previous six months.

2.2. Stock exchanges shall review the scrips eligible for SLB on a half-yearly basis. In the event a scrip fails to meet the eligibility criteria, no new SLB transaction shall be allowed in the scrip from the next trading day.



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Securities and Exchange Board of India

However, the existing contracts in such scrips shall be allowed to continue till expiry.

2.3. The collateral to be accepted for meeting margin obligations related to SLB transactions shall be in the same form as applicable in the Cash Market.

3. The circular shall be effective from July 01, 2013.
4. Stock Exchanges, Clearing Corporations and Depositories are directed to:
 - 4.1. take necessary steps and put in place necessary systems for implementation of the above.
 - 4.2. make necessary amendments to the relevant bye-laws, rules and regulations for the implementation of the above decision.
 - 4.3. bring the provisions of this circular to the notice of the stock brokers / trading members, clearing members and depository participants and also disseminate the same on their website.
5. This circular is being issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992 and Section 19 of the Depositories Act, 1996, 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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