



CIRCULAR

CIR/MRD/DRMNP/65/2016

July 15, 2016

To

All recognized Clearing Corporations

Dear Sir / Madam,

Sub: Acceptance of Fixed Deposit Receipts (FDRs) by Clearing Corporations

- 1) Currently, Fixed Deposit Receipts of banks are accepted by Clearing Corporations as eligible collateral from the participants.
- 2) It is observed that some banks who are also trading members/ clearing members on the Stock Exchange/Clearing Corporation have placed Fixed Deposit Receipts issued by themselves as Collateral, with the Clearing Corporation.
- 3) SEBI as a member of the International Organization of Securities Commissions (IOSCO) has implemented various standards of the Principles for Financial Market Infrastructures (PFMIs). The Risk Management Review Committee of SEBI also considered the PFMI principle 5 on 'Collateral' while deliberating on the issue of 'deposit of collateral' with the Clearing Corporation.
- 4) Based on recommendations of the Risk Management Review Committee of SEBI, it has been decided to further align the risk management practices of the securities market with the PFMIs. Therefore, the Clearing Corporations are advised to implement the following -
 - a) Clearing corporation shall not accept Fixed Deposit Receipts (FDRs) from trading/clearing members as collateral, which are issued by the trading/ clearing member themselves or banks who are associate of trading/ clearing member.

Explanation - for this purpose, 'associate' shall have the same meaning as defined under Regulation 2 (b) of SECC Regulations 2012.

- b) Trading/Clearing Members who have deposited their own FDRs or FDRs of associate banks shall replace such collateral, with other eligible collateral as per extant norms, within a period of six months from the date of issuance of the circular.
- 5) Clearing corporations are directed to:



भारतीय प्रतिभूति और विनियम बोर्ड
Securities and Exchange Board of India

- a) take necessary steps to put in place systems for implementation of the circular, including necessary amendments to the relevant bye-laws, rules and regulations;
 - b) bring the provisions of this circular to the notice of their members and also disseminate the same on its website;
 - c) implement the provisions of this circular and communicate to SEBI the status of implementation.
- 6) 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.
- 7) This circular is available on SEBI website at www.sebi.gov.in, under the category "Circulars".

Yours faithfully,

Sanjay Puro
Deputy General Manager
Division of Risk Management and New Products
Market Regulation Department
Email: Sanjayp@sebi.gov.in