

Chief General Manager

Market Regulation Department-Division of Policy

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MRD/DoP/SE/Cir- 06 /2008

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The Executive Directors/Managing Directors/Administrators of all Stock Exchanges

Dear Sir / Madam,

Sub:- Margining of institutional trades in the cash market

1. SEBI vide circular dated February 23, 2005 had specified the risk management framework for the cash market.
2. In order to provide a level playing field to all the investors in the cash market as in the case of derivatives market, the aforesaid circular is partially modified to provide that all institutional trades in the cash market would be subject to payment of margins as applicable to transactions of other investors. This would be implemented with effect from Monday, April 21, 2008.
3. To begin with, from April 21, 2008, all institutional trades in the cash market would be margined on a T+1 basis with margin being collected from the custodian upon confirmation of the trade.
4. Subsequently, with effect from June 16, 2008, the collection of margins would move to an upfront basis.
5. The Stock Exchanges shall issue the necessary guidelines in this regard and shall put in place the necessary systems to ensure the operationalization of the above.
6. The Stock Exchanges are also advised to:
 - a. test the software and remove any glitches in its operation well before the commencement date to avoid any problems in the live environment.
 - b. make necessary amendments to the relevant bye-laws, rules and regulations for the implementation of the above decision.
 - c. 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.
 - d. communicate to SEBI, the status of the implementation of the provisions of this circular in the Monthly Development Report.
7. 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, **S V Murali Dhar Rao**

