

**Deputy General Manager**  
**Market Regulation Department-Division of Policy**  
**E-mail: harinib@sebi.gov.in**

MRD/DoP/SE/Cir-08/2009  
July 27, 2009

The Executive Directors/Managing Directors  
of all Stock Exchanges

Dear Sir / Madam,

**Sub: Comprehensive Risk Management Framework for the cash market**

1. SEBI vide circular no. MRD/DoP/SE/Cir-07/2005 dated February 23, 2005 has specified the risk management framework for the cash market.
2. Pursuant to the recommendations made by the Secondary Market Advisory Committee of SEBI at its meeting held on June 30, 2009, it has been decided that in case of a buy transaction in cash market, VaR margins, Extreme loss margins and mark to market losses together shall not exceed the purchase value of the transaction. Further, in case of a sale transaction in cash market, the existing practice shall continue viz., VaR margins and Extreme loss margins together shall not exceed the sale value of the transaction and mark to market losses shall also be levied.
3. The Stock Exchanges are also 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. Make software changes, test the software and remove any glitches in its operation well before the commencement date to avoid any problems in the live environment.
  - d. communicate to SEBI, the status of the implementation of the provisions of this circular in the Monthly Development Report.
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.
5. This circular shall come into force from August 17, 2009.

Yours faithfully,

**Harini Balaji**