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**RESERVE BANK OF INDIA
CENTRAL OFFICE**

DEPARTMENT OF BANKING OPERATIONS AND DEVELOPMENT
CENTRE - 1, WORLD TRADE CENTRE
CUFFE PARADE, COLABA, MUMBAI - 400 005

RBI/2004/205
DBOD No. Dir.BC. 86 /13.07.05/2003-04

May 18, 2004

**All Commercial Banks
(excluding RRBs)**

Dear Sir,

Bank financing of equities and investments in shares

Please refer to Circular DBOD No. Dir. BC. 61/13.07.05/2003-04 dated January 3, 2004, in terms of which margin on all advances against shares / financing of IPOs / issue of guarantees was raised to 50 percent and a minimum cash margin of 25 per cent (within the margin of 50 percent) was also required to be maintained in respect of guarantees issued by banks.

2. On the recommendation made by the Task Force constituted for monitoring developments in the financial markets, it has been decided to reduce the above said margin requirement to 40% and the minimum cash margin to 20%.

3. The instructions issued in this circular will come into effect immediately.

4. Please acknowledge receipt.

Yours faithfully,

**(Prashant Saran)
Chief General Manager**