



RESERVE BANK OF INDIA
Foreign Exchange Department
Central Office
Mumbai - 400 001

RBI/2012-13/439
A.P. (DIR Series) Circular No. 90

March 14, 2013

To

All Category – I Authorised Dealer Banks

Madam / Sir,

Maintenance of Collateral by Foreign Institutional Investors (FIIs)
for transactions in the cash and F & O segments

Attention of Authorised Dealer Category - I (AD Category-I) banks is invited to Schedule 5 to the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, notified vide [Notification No. FEMA 20/2000-RB dated May 3, 2000](#), as amended from time to time, in terms of which FIIs may offer such securities as permitted by the Reserve Bank from time to time as collateral to the recognized Stock Exchanges in India for their transactions in exchange traded derivative contracts as specified in sub-Regulation 6 of Regulation 5 of the said Notification and [A.P. \(DIR Series\) Circular No. 4 dated July 28, 2006](#) and [A.P. \(DIR Series\) Circular No. 47 dated April 12, 2010](#).

2. On a review, it has been decided in consultation with the Government of India and the Securities and Exchange Board of India (SEBI), to permit FIIs to use, in addition to already permitted collaterals, their investments in corporate bonds as collateral in the cash segment and government securities and corporate bonds as collaterals in the F & O segment. The operational guidelines in this regard will be issued separately by SEBI. With the proposed changes coming into effect, henceforth, FIIs will be eligible to offer government securities/corporate bonds (acquired by FIIs in accordance with provisions of Schedule 5 to Notification No. FEMA 20 dated May 3, 2000), cash and foreign sovereign securities with AAA ratings in both cash and F & O segments.

3. AD Category – I banks may bring the contents of this circular to the notice of their constituents and customers concerned.

4. The directions contained in this circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions / approvals, if any, required under any other law.

Yours faithfully,

(Rudra Narayan Kar)
Chief General Manager-in Charge