



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

RBI/2009-10/393
A.P. (DIR Series) Circular No.47

April 12, 2010

To

All Category – I Authorised Dealer banks

Madam / Sir,

**Maintenance of Collateral by Foreign Institutional Investors (FIIs)
for transactions in the cash segment**

Attention of Authorised Dealer Category - I (AD Category-I) banks is invited to Foreign Exchange Management (Transfer or Issue of Any Foreign Security) Regulations, 2004 notified vide [Notification No. FEMA 120/RB-2004](#) dated July 7, 2004 and 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 and [A.P. \(DIR Series\) Circular No. 4](#) dated July 28, 2006.

2. Presently, FIIs are permitted to offer cash and foreign sovereign securities with AAA rating as collateral to the recognized Stock Exchanges in India for their transactions in the derivative segment. As per the extant Securities and Exchange Board of India (SEBI) norms, the FIIs are required to post collaterals for their transactions in the cash segment of the market. It has been decided, in consultation with the Government of India and the SEBI, to permit the FIIs to offer domestic Government Securities (acquired by the FIIs in accordance with the provisions of Schedule 5 to [Notification No. FEMA 20/2000-RB](#) dated May 3, 2000, as amended from time to time and subject to the overall limits specified by the SEBI from time to time; the current limit being USD 5 billion), and foreign sovereign securities with AAA rating, as collateral to the recognized Stock Exchanges in India, in addition to cash, for their transactions in the cash segment

of the market. However, cross-margining of Government Securities (placed as margins by the FIIs for their transactions in the cash segment of the market) shall not be allowed between the cash and the derivative segments of the market. The operational guidelines in this regard will be issued separately by the SEBI.

3. The existing guidelines on collateral for the FIIs transactions in the derivative segment shall remain unchanged.

4. Necessary amendments 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 will be issued separately.

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

6. 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,

(Salim Gangadharan)

Chief General Manager-in-Charge