

RBI/2010-11/249

DBOD.Dir.BC.52 /13.03.00/2010-11

October 28, 2010

All Scheduled Commercial Banks  
(excluding RRBs)

Dear Sir / Madam

**Banks' Exposure to Capital Market -  
Issue of Irrevocable Payment Commitments (IPCs)**

Please refer to our [circular No. DBOD.Dir.BC.46/13.03.00/2010-11 dated September 30, 2010](#) in terms of which certain risk mitigation measures were prescribed in the context of banks issuing IPCs to various Stock Exchanges on behalf of Mutual Funds and FII, as a transitional arrangement upto October 31, 2011.

2. Custodian banks have expressed operational difficulties in complying with the requirement of incorporating a clause in the agreement with their clients which gives them an inalienable right over the securities to be received as payout in any settlement before November 1, 2010. Accordingly, it has been decided to grant an additional period of two months i.e. upto December 31, 2010, to the custodian banks to fulfil this requirement.

3. It is also clarified that in cases where transactions are pre-funded i.e. there are clear INR funds in the customer's account and, in case of FX deals, the bank's nostro account has been credited before the issuance of the IPC by custodian banks, the requirement of the clause of inalienable right over the security to be received as payout in the agreement with the clients will not be insisted upon.

Yours faithfully,

(P. R. Ravi Mohan)  
Chief General Manager