



भारतीय रिज़र्व बैंक

RESERVE BANK OF INDIA

www.rbi.org.in

RBI/2014-15/365

FMRD.DIRD.02/14.03.007/2014-15

December 24, 2014

All market participants

Dear Sir/Madam

Secondary Market Transactions in Government Securities – Short Selling

This has reference to [circular IDMD.No.03/11.01.01\(B\)/2005-06 dated February 28, 2006](#), as updated vide [circulars IDMD.No/11.01.01\(B\)/2006-07 dated January 31, 2007](#), [IDMD.DOD.No. 3165/ 11.01.01\(B\) / 2007-08 dated January 1, 2008](#), [IDMD.PCD.14/14.03.07/2011-12 dated December 28, 2011](#), [IDMD.PCD.21/14.03.07/2011-12 dated June 21, 2012](#) and [IDMD.PCD.06/14.03.07/2014-15 dated September 30, 2014](#) on the captioned subject. In terms of above circulars, scheduled commercial banks and primary dealers are permitted to undertake short selling of Government securities subject to limits and other terms and conditions prescribed by the Reserve Bank from time to time.

2. Further, in terms of [RBI circular UBD.BPD.\(PCB\).Cir.No.9/09.29.00/2013-14 dated September 4, 2013](#), certain Urban Cooperative Banks (UCBs) specifically permitted by the Department of Cooperative Bank Supervision for the purpose, can also undertake *intra-day* short sale of Government securities. In this context, it is advised that UCBs, so permitted will also have to adhere to the short sale limits, reporting and other risk management requirements prescribed for eligible entities by the Reserve Bank from time to time.

3. A reference is also invited to the existing monthly reporting requirement on short sale as set out in the Annex to RBI Circular IDMD.PCD.06/14.03.07/2014-15 dated September 30, 2014. The reporting format has since been modified to

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: 2 :

capture the changes in the regulatory limits during the month (for instance, due to change in the outstanding amount of the security and/or its benchmark status) and the same is enclosed as Annex. Eligible entities should submit a duly certified report of the daily security-wise short sale position, as per the revised format, to the Financial Markets Regulation Department, Reserve Bank of India, Mumbai on a monthly basis by 8th of the succeeding month. The soft copy of the report should be [emailed](#).

4. All other terms and conditions contained in the aforementioned circulars remain unchanged.

Yours faithfully

(Dimple Bhandia)
General Manager

Annex
Monthly reporting of Short Sale transaction in GOI Securities
 Report for the month of _____

Name of bank/PD: _____

Security: _____

Amount in Rs. crore

SI No.	Trade Date	Short position at the beginning of the day	Securities short sold during the Day		Short position covered during the day through				Short position at the end of the day	Maximum Short position during the day	Regulatory limit
			NDS-OM	OTC	NDS-OM	WI	OTC	Primary Auction			

0.75% of the outstanding stock or Rs. 600 crore whichever is lower for liquid securities and 0.25% of the outstanding stock for illiquid securities. The categorization of liquid/illiquid securities shall be as determined by FIMMDA.

Note: Each security to be tabulated separately.

1. Age (in number of days) of the oldest uncovered short sale transaction as on the last day of the month: _____ days.
2. Age (in number of days) of the oldest short sale transaction covered during the month: _____ days.

Certified that there were no violations of extant regulatory guidelines on short sale in Government of India Securities

[Concurrent / Internal Auditor]