

Bank financing of equities and investments in shares

DBOD No. Dir.BC. 61 /13.07.05/2003-04

January 3, 2004

All commercial banks
(excluding RRBs)

Dear Sir,

Bank financing of equities and investments in shares

Please refer to para. 3.4.6 of our Master Circular DBOD No. Dir. BC. 17/13.03.00/2003-04 dated August 22, 2003 on exposure norms, in terms of which banks are required to apply a uniform margin of 40 per cent on all advances against shares / financing of IPOs / issue of guarantees. A minimum cash margin of 20 per cent (within the margin of 40%) is also to be applied in respect of guarantees issued by the banks.

2. The matter has been reviewed and it has been decided to raise the above margin to 50 per cent with immediate effect. A minimum cash margin of 25 per cent (within the margin of 50 per cent) shall be maintained in respect of guarantees issued by banks for capital market operations. The above margin of 50 per cent shall apply to all fresh advances / guarantees issued. The existing advances / guarantees issued may continue at the earlier margins until they come up for renewal.

3. Please acknowledge receipt.

Yours faithfully,

(Prashant Saran)
Chief General Manager