

January 9, 2007

**All Scheduled Commercial Banks  
(excluding RRBs)**

Dear Sir

**Banks' Exposure to Commodity Markets – Margin Requirements**

Please refer to paragraph 2.9 of our Master Circular No. DBOD. Dir. BC. 17 / 13.03.00/ 2006-07 dated July 1, 2006 on 'Guarantees and Co-acceptances' in terms of which banks may issue guarantees on behalf of share and stock brokers in favour of stock exchanges in lieu of margin requirements as per stock exchange regulations. While issuing such guarantees banks should obtain a minimum margin of 50 percent. A minimum cash margin of 25 percent (within the above margin of 50 percent) should be maintained in respect of such guarantees issued by banks.

2. It is clarified that the above minimum margin of 50 percent and minimum cash margin requirement of 25 percent (within the margin of 50 percent) will also apply to guarantees issued by banks on behalf of commodity brokers in favour of the national level commodity exchanges, viz., National Commodity & Derivatives Exchange (NCDEX), Multi Commodity Exchange of India Limited (MCX) and National Multi-Commodity Exchange of India Limited (NMCEIL), in lieu of margin requirements as per the commodity exchange regulations.

Yours faithfully

(P Vijaya Bhaskar)  
Chief General Manager