



भारतीय रिज़र्व बैंक  
RESERVE BANK OF INDIA  
www.rbi.org.in

This circular has been superseded by [Short Sale \(Reserve Bank\) Directions, 2018 dated July 25, 2018](#).

RBI/2014-15/251  
IDMD.PCD.06/14.03.07/2014-15

September 30, 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](#) and updated vide [circulares 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](#) and [IDMD.PCD.21/14.03.07/2011-12 dated June 21, 2012](#) on the captioned subject.

2. The guidelines relating to short selling have been reviewed and it has been decided to permit scheduled commercial banks and Primary Dealers (PDs) in Government securities to:

(i) execute the sale leg of short sale transactions in the OTC market, in addition to the NDS-OM platform; and

(ii) undertake short position (face value) in any security subject to the following limits:

- a. Liquid securities: 0.75% (enhanced from the existing limit of 0.50%) of the total outstanding stock issued of each security or Rs. 600 crore, whichever is lower.
- b. Illiquid securities: 0.25% of the total outstanding stock issued of each security.

At no point of time, a bank/PD should accumulate a short position in any security in excess of the above mentioned limits.

3. In case a liquid security becomes illiquid during the period of short sale resulting in a lower short sale limit, a bank/PD can continue to hold the already executed short position till it is

closed out. Any fresh short position in such securities, however, should be undertaken within the applicable limits for illiquid securities.

4. The short sale position executed in the OTC market should be reported on the NDS-OM platform within 15 minutes of the execution of the trade. Banks and PDs undertaking short sale and related cover transactions should indicate the same through proper tagging on the platform.

5. Participants may review their systems and controls to ensure strict compliance with all regulatory requirements of short sale and cover transactions. Any violation of regulatory guidelines noticed in this regard should immediately be reported to the Chief General Manager, Internal Debt Management Department, Reserve Bank of India, Mumbai.

6. Default in payment of cash or delivery of security shall be viewed seriously and would be subject to penal measures as prescribed in RBI [circular IDMD. DOD.17/11.01.01\(B\)/2010-11 dated July 14, 2010](#) as amended from time to time. Reserve Bank may also take any action including temporary or permanent debarment of the SGL account holder from the short sale market as it may deem fit, for violation/circumvention of the regulatory guidelines or if Reserve Bank is of the view that the bank or PD has attempted to manipulate the market, involved in market abuse, or provided information that was incorrect, inaccurate, or incomplete.

7. Banks / PDs should submit a report of the daily security-wise short sale position, as per the format in Annex, to the Principal Chief General Manager, Financial Market Department, Reserve Bank of India, Mumbai on a monthly basis, on the first working day of the succeeding month.

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

9. These guidelines shall come into effect from October 7, 2014. The guidelines will be reviewed based on experience.

Yours faithfully

(Rekha Warriar)  
Chief General Manager

## Monthly reporting of Short Sale transaction in GOI Securities

Report for the month of \_\_\_\_\_

Name of bank/PD: \_\_\_\_\_

Security: \_\_\_\_\_

Regulatory Limit# \_\_\_\_\_

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
			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; amounts in Rs.crore.

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 GOI Securities

[Concurrent / Internal Auditor]