



भारतीय रिज़र्व बैंक

RESERVE BANK OF INDIA

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This circular has been superseded by [Short Sale \(Reserve Bank\) Directions, 2018 dated July 25, 2018](#).

RBI/2015-16/217

FMRD.DIRD.5/14.03.007/2015-16

October 29, 2015

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](#), [IDMD.PCD.06/14.03.07/2014-15 dated September 30, 2014](#) and [FMRD.DIRD.02/14.03.007/2014-15 dated December 24, 2014](#) on the captioned subject.

2. In terms of [circular IDMD.PCD.06/14.03.07/2014-15 dated September 30, 2014](#), scheduled commercial banks and PDs were permitted to execute the sale leg of short sale transactions in the OTC market, in addition to the NDS-OM platform. However, presently short sale is not allowed between CSGL account holder (custodian) and its gilt account holder (GAH).

3. With a view to facilitate retail participation in Government securities and enhance liquidity in the Government securities market, it was announced in the [Fourth Bi-monthly Monetary Policy Statement, 2015-16](#) to permit short sale by a custodian to its GAH.

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4. Accordingly it has been decided as under:

- i. A custodian may undertake a short sale transaction with its GAH within the permissible short sale limits
 - ii. A custodian may put through a cover transaction with a GAH to square a short sale transaction in the related security undertaken with a market participant other than its GAH/s.
5. The custodians will have to tag the deal as short sale or cover while reporting the same to NDS-OM. Such short sale or cover deals will be reckoned in the computation of the short sale limit utilization.
 6. At the time of settlement at Reserve Bank of India, custodians will have to ensure adequate balance in their SGL failing which it will be treated as a SGL bounce for the custodian with consequent penalties as prescribed in RBI circular IDMD.PCD.06/14.03.07/2014-15 dated September 30, 2014 as amended from time to time.
 7. Banks and PDs have to put in place appropriate systems and internal controls including 100% audit of such transactions on daily basis to ensure adherence to the regulatory limits prescribed for short sale in Government securities from time to time.
 8. Eligible entities should submit a duly certified report of the daily security-wise short sale position, as per the format given in Annex, to the Financial Markets Regulation Department, Reserve Bank of India, Mumbai on a monthly basis by the 10th of the succeeding month. The soft copy of the report may be [emailed](#).
 9. All other terms and conditions contained in the aforementioned circulars remain unchanged.

Yours faithfully

(R. Subramanian)
Chief General Manager

Encl : As above



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

Name of bank/PD: _____

Security: _____

Amount in Rs. crore

Sl 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	Reported-Own Client	Reported-Others	NDS-OM	WI	Reported-Own Clients	Reported-Others	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]