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

RBI/2013-14/541

IDMD.PCD. 12/14.03.05/ 2013-14 March 27, 2014

All Standalone Primary Dealers (PDs)

Dear Sir / Madam

Exposure norms for standalone PDs

Please refer to the circular IDMD.PDRD.N0 19/03.64.00/2010-11 dated July 27, 2010 updated vide circulars IDMD.PCD.No.1652/14.03.05/2010-11 dated November 11, 2010 and IDMD.PCD.No.718/14.03.05/2012-13 dated September 3, 2012.

2. With a view to promote central clearing of standardised OTC derivative products through a Central Counter Party (CCP), it has been decided that as an interim measure, a standalone PD's clearing exposure to a Qualifying CCP (QCCP) will be kept outside of the exposure ceiling of 25 per cent of its net owned funds applicable to a single borrower/counterparty.

3. Reserve Bank would consider revised framework on PDs' exposure to QCCP depending on international consensus in this regard.

4. Revised guidelines on exposure norms for standalone PDs are detailed in Annex. The present guidelines shall supercede all existing instructions issued to standalone PDs in this regard.

5. The revised guidelines shall be effective from April 1, 2014.

Yours faithfully

(K.K Vohra)
Pr. Chief General Manager

Encl: As above

Annex

Exposure norms for standalone PDs

i. The exposure ceiling limits would be 25 percent of latest audited Net Owned Funds (NOF) in case of a single borrower/counterparty and 40 percent of NOF in case of a group borrower.
ii. The ceilings on single /group exposure limit would not be applicable where principal and interest are fully guaranteed by the Government of India.
iii. PDs should include credit risk exposures to all other categories of non-Government securities including investments in mutual funds, commercial papers, certificate of deposits, positions in OTC derivatives not settled through Qualifying CCP (QCCP) etc. to compute extent of credit exposure to adhere to the prescribed prudential limits.
iv. Clearing exposure to a QCCP will be kept outside of the exposure ceiling of 25 per cent of its NOF applicable to a single counter party.
v. Clearing exposure to QCCP would include trade exposure and default fund exposure as defined in the guidelines on capital requirements for PDs' exposure to central counterparties issued vide Circular IDMD.PCD.11/14.03.05/2013-14 dated March 27, 2014.
vi. Other permissible exposures to QCCPs such as investments in the capital of CCP etc. will continue to be within the existing exposure ceiling of 25 per cent of NOF to a single borrower/counterparty. However, all exposures of a PD to a non-QCCP should be within the exposure ceiling of 25 per cent.
vii. Presently, there are four CCPs viz. Clearing Corporation of India Ltd. (CCIL), National Securities Clearing Corporation Ltd. (NSCCL), Indian Clearing Corporation Ltd. (ICCL), and MCX-SX Clearing Corporation Ltd. (MCX-SXCCL) that are subjected, on an ongoing basis, to rules and regulations that are consistent with CPSS-IOSCO Principles for Financial Market Infrastructures. While the CCIL has been granted the status of a QCCP by the Reserve Bank, the other three CCPs have been granted the status of QCCP by SEBI.
viii. It may also be mentioned that the status of a CCP as a QCCP may change in future, if a regulator/supervisor of the CCP withdraws the status of QCCP. After withdrawal of the status of a QCCP, the CCP will be considered a non-QCCP and exposure norms as applicable to non-QCCPs would be applicable.