



CIRCULAR

SEBI/HO/MRD2/DCAP/CIR/P/2020/45

March 23, 2020

To

All Recognized Stock Exchanges and Clearing Corporations except Commodity Derivatives Exchanges/ Clearing Corporations and Stock Exchanges/ Clearing Corporations in International Financial Services Centre

Dear Sir/ Madam

Sub-Interoperability among Clearing Corporations: Revision of criteria for entering the risk-reduction Mode

SEBI vide its circular [CIR/MRD/DRMNP/CIR/P/2018/145](#), dated November 27, 2018 issued broad guidelines for operationalizing the interoperable framework among Clearing Corporations.

2. Para 5.5(2) of the said circular read as under:

“In order to mitigate any risk arising out of latency, in partial modification of para-7 of the SEBI Circular CIR/MRD/DP/34/2012, dated December 13, 2012 on “Pre-trade Risk Controls”, Stock Exchanges shall ensure that stock brokers are mandatorily subjected to risk reduction mode on utilization of 85% of the stock broker’s collateral available for adjustment against margins.”

3. Based on consultations with various stakeholders, it has been decided that the afore mentioned para 5.5(2) of the SEBI circular CIR/MRD/DRMNP/CIR/P/2018/145 shall stand withdrawn from the date of issuance of this circular.
4. Further, it is clarified that provisions of Para 7 on “Risk Reduction Mode” of the SEBI circular [CIR/MRD/DP/34/2012](#) , dated December 13, 2012 would be the criteria for the Stock Exchanges to determine the stock brokers which would be admitted to the risk-reduction Mode.



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Securities and Exchange Board of India

5. Accordingly, stock brokers shall be mandatorily put in risk-reduction mode when 90% of the stock broker's collateral available for adjustment against margins gets utilized on account of trades that fall under the margining system.
6. The Stock Exchange and Clearing Corporations are directed to:
 - a. Take necessary steps to put in place requisite infrastructure and systems for implementation of the circular, including necessary amendments to the relevant bye-laws, rules and regulations;
 - b. Bring the provisions of this circular to the notice of their members and also disseminate the same on its website; and
 - c. Communicate to SEBI, the status of implementation of the provisions of this circular.
7. This circular is being issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992 to protect the interests of investors in securities and to promote the development of, and to regulate, the securities market.

Yours faithfully,

Pradip Bhowmick
Deputy General Manager
Tel: +91-22-2644-9685
email:pradipb@sebi.gov.in