



भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

CIRCULAR

CIR/MRD/DP/19/2014

June 03, 2014

To

All Stock Exchanges and Depositories

Dear Sir / Madam,

Sub: Review of the Securities Lending and Borrowing (SLB) Framework

1. Securities Lending and Borrowing was introduced vide circular no. MRD/DoP/SE/Dep/Cir-14/2007 dated December 20, 2007 and operationalised with effect from April 21, 2008. The SLB framework has been subsequently modified from time to time.
2. With regard to the requirement of an agreement between Clearing Member and client for the purpose of lending and borrowing of securities, representations were received from market participants. Based on the examination of suggestions received, it has been decided to modify the extant SLB framework.
3. Accordingly, para 6 of the Annexure 2 of aforesaid SLB circular shall be replaced as under:
 - 3.1. The Authorised Intermediary (AIs) shall enter into an agreement with Clearing Members (CMs) for the purpose of facilitating lending and borrowing of securities.
 - 3.2. The agreement shall specify the rights, responsibilities and obligations of the parties to the agreement. The agreement shall include the basic conditions for lending and borrowing of securities as prescribed under SLB framework. Further, the exact role of AIs/CMs vis-à-vis the clients shall be laid down in the agreement. AIs shall ensure that there shall not be any direct agreement between the lender and the borrower.
 - 3.3. In addition to that, AIs may also include suitable conditions in the agreement to have proper execution, risk management and settlement of lending and borrowing transactions with clearing member and client.
 - 3.4. The AIs shall frame a rights and obligations document laying down the rights and obligation of CMs and clients for the purpose of lending and borrowing of securities. The rights and obligation document shall be



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mandatory and binding on the CMs and the clients for executing trade in the SLB framework.

4. All other conditions as specified in the circulars no. MRD/DoP/SE/Dep/Cir-14/2007 dated December 20, 2007, MRD/DoP/SE/Cir-31/2008 dated October 31, 2008, MRD/DoP/SE/Dep/Cir-01/2010 dated January 06, 2010, CIR/MRD/DP/33/2010 dated October 07, 2010 CIR/MRD/DP/30/2012 dated November 22, 2012 and CIR/MRD/DP/ 18 /2013 May 30, 2013 remain unchanged.
5. Stock Exchanges and Depositories are advised to:
 - 5.1. Take necessary steps and put in place necessary systems for implementation of the above.
 - 5.2. Make necessary amendments to the relevant bye-laws, rules and regulations for the implementation of the above decision.
 - 5.3. Bring the provisions of this circular to the notice of the member brokers of the stock exchange and depository participants to disseminate the same on their website.
6. 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,

Maninder Cheema
Deputy General Manager
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