



भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

CIRCULAR

SEBI/HO/MRD/DP/CIR/P/2017/11

February 10, 2017

To

All Stock Exchanges/Clearing Corporations
(Other than Commodity Exchange)

Dear Sir/Madam,

Sub: Review of Financial close out and Auction framework for corporate bonds traded on the Stock exchanges platform.

1. SEBI vide circulars no. CIR/MRD/DP/03/2013 January 24, 2013, and no CIR/MRD/DP/ 27 /2013 dated September 12, 2013 issued guidelines for providing dedicated debt segment in the stock exchange for trading, clearing and settlement of debt securities including trading, clearing and settlement of corporate bonds.
2. Report of the Working Group on Development of Corporate Bond Market in India chaired by Shri H R Khan recommended rationalization of the penalty for financial close out in case of the shortage of delivery in the corporate bonds that are traded in the exchange platform. Based on the recommendation of the said committee and the feedback received from stock exchanges, it has been decided to review extant penalty structure for financial closeout in cases of short delivery and to put in place a feasible auction mechanism to deal with settlement shortages.
3. Accordingly, para 8 of the circular no CIR/MRD/DP/ 27 /2013 dated September 12, 2013 stands modified as under;
 - 3.1. In case of shortage of delivery, stock exchanges/clearing corporations may conduct financial close-out. The financial close out shall take place at



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highest price on Trade date (which becomes the trade price) with a 1% mark-up on trade price.

3.2. Further, Exchanges/Clearing Corporation shall introduce an uniform auction mechanism to deal with settlement shortages by March 31, 2017.

4. Stock Exchanges are directed to:

4.1. take necessary steps and put in place necessary systems for implementation of this circular immediately;

4.2. make necessary amendments to the relevant bye-laws, rules and regulations for the implementation of the above decision;

4.3. bring the provisions of this circular to the notice of the member brokers of the stock exchange and also to disseminate the same on the website.

5. 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,

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