



CIRCULAR

CIR/MRD/DRMNP/ 36 /2012

December 19, 2012

To
All stock exchanges.

Sir / Ma'am,

Sub: Requirement of Base Minimum Capital for Stock Broker and Trading Member

1. SEBI vide circular no SMD/SED/RCG/270/96 dated January 19, 1996 and circular no MRD/DoP/SE/Cir-07/2005 dated February 23, 2005 had prescribed the requirement of Base Minimum Capital (BMC) for stock brokers trading on stock exchange. BMC is the deposit given by the member of the exchange against which no exposure for trades is allowed.
2. The BMC deposit requirement was prescribed to be commensurate with the risks, other than market risk, that the broker may bring to the system. Over the years the market structure has undergone significant structural changes. The various technological changes and the increased speeds of trading have brought to fore the greater quantum of risks arising during the course of execution of transactions. In light of this, based on deliberations at various forums, it has been decided to realign the BMC requirements with the risk profiles of the stock brokers / trading members in cash / derivative segment of the stock exchange.
3. Accordingly, the requirement of BMC would be implemented in the following manner –
 - a. It shall be enhanced for members holding registration as “stock-broker” in cash segment.
 - b. BMC shall be introduced for members holding registration as “trading member” in any derivative segment.
 - c. Stock brokers / trading members shall maintain the prescribed BMC based on their profiles –

Categories	BMC Deposit
Only Proprietary trading without Algorithmic trading (Algo)	₹ 10 Lacs
Trading only on behalf of Client (without proprietary trading) and without Algo	₹ 15 Lacs
Proprietary trading and trading on behalf of Client without Algo	₹ 25 Lacs
All Trading Members/Brokers with Algo	₹ 50 Lacs



Explanation: The profiling of members may be explained with the following example – A scenario may arise, wherein, a member has registration as a “stock broker” as well as a “trading member” and is engaged as a principal doing proprietary trading on cash segment and is also engaged as an agent and transacting only on behalf of the clients in the derivatives segment. Further, the member may not have availed facility for algorithmic trading. In such a case, the profile of such a member shall be assessed as “Proprietary trading and trading on behalf of client without Algo”. The applicable BMC deposit for such a member shall be ₹ 25 Lacs.

- d. This BMC deposit requirement stipulated in the table at 3 (c) above, is applicable to all stock brokers / trading members of exchanges having nation-wide trading terminals.
 - e. For stock brokers / trading members of exchanges not having nation-wide trading terminals, the deposit requirement shall be 40% of the above said BMC deposit requirements.
 - f. The BMC deposit shall be maintained for meeting contingencies in any segment of the exchange. For members having registration for more than one segment of the same exchange, the BMC deposit requirement shall not be additive for such number of segments and shall be the highest applicable BMC deposit, across various segment.
 - g. No exposure shall be granted against such BMC deposit. The Stock Exchanges shall be permitted to prescribe suitable deposit requirements, over and above the SEBI prescribed norms, based on their perception and evaluation of risks involved.
 - h. Minimum 50% of the deposit shall be in the form of cash and cash equivalents. The existing guidelines on collateral composition shall continue to remain applicable.
4. The SEBI circulars specified at para 1 above, stand modified suitably. All other relevant provisions shall continue to remain applicable.
 5. The provisions of this circular shall be implemented by March 31, 2013
 6. Stock exchanges are directed to:
 - (i) make necessary amendments to the relevant bye-laws, rules and regulations for the implementation of the above decision.
 - (ii) bring the provisions of this circular to the notice of the stock brokers / trading members of the stock exchange and also to disseminate the same on the website.
 - (iii) communicate to SEBI, the status of implementation of the provisions of this circular in the Monthly Development Report.
 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



भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

interests of investors in securities and to promote the development of, and to regulate the securities market.

8. This Circular is available on SEBI website at www.sebi.gov.in.

Yours faithfully,

Shashi Kumar
Deputy General Manager
Division of Risk Management and New Products
Market Regulation Department
shashikumarv@sebi.gov.in