



February Roundup

Week ending - 27.02.2021
(GOVERNMENT NOTIFICATIONS,
CIRCULARS & ANNOUNCEMENTS)



1. SEBI Prescribes Norms for Pre-Expiry Margins (23.02.2021)

On 23.02.2021, the Securities & Exchange Board of India (**SEBI**) issued a Circular with respect to the prescribed norms related to pre-expiry margins issued on 01.10.2015 and modified on 26.06.2019. Post the unprecedented event of negative final settlement price in the crude oil futures market led to SEBI prescribing an Alternate Risk Management Framework (**ARMF**) on 21.09.2020. ARMF is to be applicable in case of near zero and/or negative prices for any underlying commodities/futures. Clearing Corporations (**CCs**) had to identify commodities susceptible to the possibility of near zero and negative prices.

The matter was deliberated by the Risk Management Review Committee (**RMRC**) of SEBI. Upon the recommendations of the RMRC is has now been decided in consultation with Clearing Corporations that pre-expiry margins shall be imposed on cash settled contracts wherein the underlying commodity is deemed susceptible to possibility of near zero and/or negative prices as identified by exchange/CCs under ARMF Circular. In case of these contracts, pre-expiry margins shall be levied during the last five trading days prior to expiry date, wherein they shall increase by 5% every day.

This Circular shall come into effect from 01.04.2021

Please find link to Circular [here](#)

2. RBI Issues Exemptions from LEF (24.02.2021)

On 25.02.2021, the Reserve Bank of India (**RBI**) issued a letter to all scheduled commercial banks excluding small finance banks, payments banks, local area banks and regional banks regarding exemptions in large exposures framework (**LEF**). In the letter reference was made to a Circular issued on 03.06.2019 which specified that exposures were exempt from LEF.

Presently, on review it has been decided to exempt the following exposures as well from LEF:

- Exposures to foreign sovereigns or their central banks that are subject to 0% risk weight
- Exposures to foreign banks or their central banks that are denominated in the domestic currency of that sovereign and met out of resources of the same currency

Please find link to Letter [here](#)

Contributions By

Shivikka Aggarwal

New Delhi

B 50
Defence Colony
New Delhi - 110 024
India

Contact Us

P: 011-4709 9999 | E: shri.venkatesh@skvlawoffices.com

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