

Revised Carry Forward System (RCFS)

20. In order to enhance liquidity in the capital market, a Group set up under the chairmanship of Prof. J.R. Verma reviewed the Revised Carry Forward System (RCFS). The Report of the Group was submitted in July 1997. The modifications to RCFS approved by the regulatory authority include (a) continuance of the practice of segregating carry forward transactions at the time of execution of trade under the twin track system, (b) a lower daily margin of 10 per cent on carry forward trades with the proviso that 50 per cent of the daily margin would be paid upfront, (c) enhancement of overall carry forward limit to Rs.20 crore per broker and (d) removal of limit of Rs. 10 crore for badla financier. The recommendations made by the Group in regard to strict enforcement of capital adequacy and related prudential safeguards and monitoring and surveillance system for healthy functioning of the capital market were accepted. Similarly the recommendation stipulating that scrips chosen for carry forward trade should have sufficient floating stock and high liquidity was also accepted. The RCFS has since been adapted and implemented by the Stock Exchange, Mumbai.

Warehousing

21. Warehousing facilitates execution of a large firm client order in parts during the same trading cycle. SEBI permitted brokers to warehouse trades for firm orders of institutional clients. To prevent misuse, certain safeguards like reporting requirements, compulsory delivery of warehouse trades, etc. were also introduced.

Clearing Corporation/Settlement Guarantee Fund

22. Timely completion of settlement contributes to both efficiency and transparency. Failure of any one member to honour his commitment to the exchange on time has cascading effects. All stock exchanges in the country have therefore been advised to set up clearing corporation/settlement guarantee fund to ensure timely completion of settlement.

Securities Lending

23. The introduction of securities lending scheme by SEBI has filled a long standing gap in the secondary market. It is expected that the scheme will gradually pick up and by facilitating delivery of securities it will help improve the efficiency of the settlement system.