

**Investment portfolio of banks –
Transactions in securities –
Role of brokers**

RESERVE BANK OF INDIA
CENTRAL OFFICE
DEPARTMENT OF BANKING OPERATIONS AND DEVELOPMENT
CENTRE - 1, WORLD TRADE CENTRE
CUFFE PARADE, COLABA, MUMBAI - 400 005

DBOD.FSC.BC.No. 39 /24.76.002/2000

October 25 , 2000

All Scheduled Commercial Banks
(excluding RRBs)

Dear Sir,

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Please refer to our circulars DBOD No.FSC.BC.129/24.76.002/94-95 dated November 16, 1994 and DBOD.No.FSC.BC.112/24.76.002/97 dated October 14, 1997 in terms of which banks are permitted to undertake transactions in securities among themselves or with non-bank clients through members of the National Stock Exchange and OTC Exchange of India, respectively. It has since been decided to permit banks to undertake transactions in securities among themselves or with non-bank clients through the members of The Stock Exchange, Mumbai (BSE) in addition to the National Stock Exchange and OTC Exchange of India. In case any transactions in securities are not undertaken on the NSE, OTC Exchange of India or The Stock Exchange, Mumbai (BSE) the same should be undertaken by banks directly without the use of brokers.

2. Banks should ensure that all instructions contained in paragraph 11.7 of Manual of Instructions Vol.I-Part I as regards engagement of brokers for investment transactions are strictly adhered to while undertaking transactions in securities among themselves or with non-bank clients through the members of the Stock Exchange, Mumbai. It may be noted that any violation or circumvention of the instructions will invite penal action against banks which could include raising of reserve requirements, withdrawal of refinance from the

Reserve Bank and denial of access to money market as also such other penalty under the provisions of the Banking Regulation Act, 1949, as the Reserve Bank may deem fit.

3. Accordingly, Note (i) of paragraph 11.7(ii) of the Manual of Instructions Vol.-I – Part – I may be replaced as per slip attached.
4. Please acknowledge receipt.

Yours faithfully,

(P.V. Subba Rao)
Chief General Manager

[Chapter – II Manual of
Instructions – Vol.-I Part I
Issued by DBOD, DBS and
IECD(FSC.BC. 39 of 2000)]

Paragraph 11.7(ii) Note (i)

Banks may undertake transactions in securities among themselves or with non-bank clients through members of the National Stock Exchange (NSE), OTC Exchange of India and The Stock Exchange, Mumbai (BSE) wherein the transactions are transparent. In case any transactions in securities are not undertaken on the NSE, OTC Exchange of India or The Stock Exchange, Mumbai (BSE) the same should be undertaken by banks directly without the use of brokers.