

Reserve Bank of India
(Department of Government and Bank Accounts)
(Central Office)

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Constituents' Subsidiary General Ledger Account: Eligibility Criteria and Operational Guidelines

In exercise of the powers conferred by section 4 of the Government Securities Act, 2006 (38 of 2006), the Reserve Bank of India (Bank) hereby specifies the conditions for opening and maintenance of a constituents' subsidiary general ledger (CSGL) account as also the records to be maintained and procedures to be adopted by the CSGL account holders for safeguarding the interest of their constituents:-

I. Eligibility Criteria:

The entities mentioned below are eligible to open and maintain a CSGL account with the Bank on behalf of their constituents, i.e., Gilt Account Holders (GAHs):

- i) Scheduled commercial banks.
- ii) Scheduled urban co-operative banks with networth of Rs. 200.00 crores or more and CRAR of 10% & above and belonging to the States which have signed MOU with the Reserve Bank of India.
- iii) Scheduled State co-operative banks with networth of Rs. 100.00 crores or more.
- iv) Primary Dealers.

Provided that the above entities obtain a no-objection certificate from the concerned regulatory department of the Reserve Bank of India to the effect that they meet the above eligibility criteria (as applicable) and that the Bank has no regulatory/supervisory discomfort.

2. Additionally, the entities mentioned below may also open and maintain a CSGL account with the Bank:

- (a) National Securities Depository Limited (NSDL).
- (b) Central Depository Services (India) Limited (CDSL).
- (c) Clearing Corporation of India Limited or other Clearing Corporations as may be approved by the Bank.
- (d) Stock Holding Corporation of India Limited (SHCIL).
- (e) National Bank for Agriculture and Rural Development.
- (f) Such other entities as may be approved by the Bank from time to time.

II. Operational Guidelines to be complied with by the CSGL Account holders:

1. The CSGL account holders shall ensure that the constituents for whom the gilt account is opened / maintained satisfy the eligibility conditions for holding Government securities in terms of the General Loan Notifications as also the specific Loan Notifications issued by the Government.
2. The CSGL account holders shall follow guidelines on 'Know Your Customer' (KYC) issued by the Department of Banking Operations and Development/Urban Banks Department/Rural Planning and Credit Department of the Reserve Bank, as applicable from time to time, in respect of their GAHs.
3. A constituent is entitled to open only one gilt account having an unique account number with any one of the CSGL account holders. Accordingly, CSGL account holders may obtain a declaration towards the same before opening an account on behalf of the constituent. A constituent may however additionally open and maintain a dematerialized account with the Depositories through Depository Participants (DPs) for purposes as may be approved by the Bank.
4. The CSGL account holders must have appropriate Information Technology (IT) infrastructure to maintain accounts and put deals on behalf of their constituents with adequate contingency/back-up plan to ensure business continuity. The IT infrastructure shall be subject to information system (IS) audit by certified professionals every year and any observations made by them shall be immediately complied with.
5. The CSGL account holders shall execute an agreement with the constituents, which shall categorically mention the circumstances under which they will accept/release securities and accept/release funds on behalf of the constituents as also the rights and obligations of the constituents and the grievance redressal mechanism available to the constituents.
6. The CSGL account holders shall ensure that deals/transactions pertaining to constituents are put through according to the instructions of the concerned constituents and maintain appropriate record of such instructions received from their constituents. Accordingly, the CSGL account holder shall refrain from setting off

Government securities in the CSGL account or otherwise deal with them to extinguish partly or fully any amounts due to it from the constituents without written consent from the constituents.

7. The CSGL account holder shall be accountable / responsible for the movement of Government securities from/to the CSGL account and shall provide system generated audit trail, whenever called for by the constituent or the Reserve Bank.
8. The CSGL account holders shall issue/post a deal slip for each buy/sell transaction put through on behalf of the concerned constituents on the transaction date itself mentioning therein the details of the deal, such as, ISIN, instrument nomenclature, buy/sell quantity, buy/sell price, service charges, etc. Further, the CSGL account holder shall send regular statements mentioning the outstanding/transaction details of Government securities to each constituent as per the agreement as also at the specific request of the constituents and obtain a balance confirmation certificate from the constituents.
9. The CSGL account holder shall credit the constituents' fund account with the due amount of interest/redemption proceeds on due date itself and maintain appropriate record of the same for verification.
10. The CSGL account holder shall be responsible for settlement of each deal put through on behalf of the constituents and any shortfall in securities/funds will be treated as a case of SGL deal bouncing against the CSGL account holder. Further, the CSGL account holder, before submitting any deals on behalf of the constituents, shall ensure that the particular constituent is eligible, as per the latest RBI guidelines, for entering into such transactions/deals.
11. The CSGL account holders shall have a well documented operational manual, duly approved by their Board, highlighting the roles/responsibilities of the dealers/mid-office/back-office and the resultant checks and balances to ensure proper dealings on behalf of the constituents so as to mitigate any risk arising out of such custodial business to the CSGL account holder as also to the constituents.

12. The CSGL account holders shall ensure daily reconciliation of outstanding balances in their CSGL account as per the PDONDS data vis-à-vis the constituent-wise holding details maintained by them. Any mismatch in the outstanding balances shall be immediately brought to the notice of PDONDS Helpdesk, DIT and Public Debt Office, Mumbai (PDO) to ensure reconciliation of balances before next day-end.

13. The CSGL account holders must put the operations of their CSGL account as also the transactions in the gilt accounts of their constituents under the purview of their Concurrent Auditors, who shall verify and comment, inter-alia, upon the following aspects of CSGL account transactions:
 - i) Complete documentation for opening of the constituent account;
 - ii) Each transaction in the CSGL account is authorized by the concerned constituent and the securities bought/sold have been credited/debited to the constituents' gilt account on due date;
 - iii) Timely issue of debit/credit advices to the constituents for each transaction put through on their behalf;
 - iv) Daily reconciliation of the outstanding balances in the CSGL account vis-à-vis the constituent-wise holding details;
 - v) Receipt of balance confirmation certificates from the constituents on half-yearly basis;
 - vi) Interest/Redemption proceeds are credited to the constituents' fund account on due date; and
 - vii) Ensure that the constituent was eligible, as per latest RBI Guidelines, to put through the deal/transaction and that the deal price is in line with the prevailing market rates.

14. The CSGL account holders shall put up the information system audit report as also the concurrent auditor's report in respect of CSGL account to the Audit Committee of the Board on quarterly basis or at more frequent intervals. The CSGL account holder may submit a quarterly certificate, confirming that the compliance of the audit observations as also daily reconciliation exercise carried out by them has been placed before the Audit Committee of the Board, to the regulatory department concerned of the Reserve Bank and make available such records to the inspection team of the

Reserve Bank for their perusal. However, in case of non-RBI regulated entities such as NSDL, CDSL, SHCIL and others, the compliance certificate may be submitted to the PDO.

15. The CSGL account holders shall submit an electronic statement, as per Annex-I, mentioning details of transactions effected between its constituents as also between the CSGL account holders and the constituent to the Chief General Manager, Reserve Bank of India, Financial Markets Department, Central Office Building, 23rd Floor, Fort, Mumbai - 400001 ([email](#)) on a weekly basis. In addition, the CSGL account holder shall also submit an 'exception report' incorporating all transactions involving constituent accounts that were carried out at off market rates, i.e., rates beyond three standard deviations either way to the Financial Markets Department. System capability to generate such information may be developed, if not already done.
16. The CSGL account holder shall submit constituent-wise holding details electronically, as per Annexes-II & III, to the Chief General Manager, Reserve Bank of India, Internal Debt Management Department, Central Office Building, 23rd Floor, Fort, Mumbai - 400001 ([email](#)) on a quarterly basis as on 31st March, 30th June, 30th September & 31st December, by the 1st week of next quarter.
17. The banks, which are CSGL account holders, shall furnish copies of half-yearly review report as on 31st March and 30th September each year on their own investments as also on behalf of other constituents including brokers to the respective Central/Regional Offices of the Department of Banking Supervision/Urban Banks Department/Rural Planning & Credit Department of Reserve Bank of India, as the case may be. Primary Dealers shall furnish their half yearly review report as on 31st March and 30th September to the Internal Debt Management Department, Reserve Bank of India.
18. Value Free Transfer (VFT) of Government securities from one CSGL account to another SGL/CSGL account may be allowed by the Reserve Bank, on a case to case basis, towards transfer of securities to own demat account with the depositories or transfer of securities pertaining to margin requirement or the Collateralised Borrowing & Lending Operations of the Clearing Corporation of India Ltd or for any other purpose as may be approved by the Bank from time to time. Further, in case, a gilt account holder decides to close his gilt account with one CSGL account holder and

open a new gilt account with another CSGL account holder then the GAH may seek approval from the Regional Director, RBI, Public Debt Office, Mumbai for such value free transfer of its securities from one CSGL account holder to another CSGL account holder by submitting the following documents:

- i) A request letter by the GAH to the effect that their entire Government securities balance with their existing CSGL account holder may be transferred to the new CSGL account holder on value free basis, together with a copy of the Resolution passed by the Board of Directors of the GAH (in case of a company), approving the transfer of securities from one CSGL account to another CSGL account;
- ii) 'No Objection' letter from the transferor/transferee CSGL account holder towards debit/credit of such securities; and
- iii) The SGL transfer form duly signed by the transferor and the transferee alongwith a declaration stating that the transaction is for transfer of securities from one account to another of the same GAH and it does not include any financial consideration.

19. Any misuse of the CSGL account facility will attract penal action in terms of section 27 of the Government Securities Act, 2006 (38 of 2006).

Sd/-
(H. R. Khan)
Executive Director

Statement on Ownership Pattern of Government securities held in the Gilt Accounts as on Quarter ending _____						
Name of CSGL account holder:						
CSGL account number:						
Sr. No. [1]	Investor Group [2]	No. of accounts [3]	Amount of Securities held (Face Value in lakhs of Rupees)			Total Holding (Face Value in lakhs of Rupees) [4] + [5] + [6]
			State Government Securities [4]	T-Bills [5]	Central Government Securities [6]	
1	Commercial Banks					
2	State / Dist. Central Co-op Banks					
3	Urban Co-operative Banks					
4	Mutual Funds					
5	Insurance Companies					
6	Financial Institutions					
7	Corporates					
8	HUF / Individuals					
9	FII's					
10	Provident Funds					
11	Others					
Total						

