

**UNDERTAKING**

To

The Chief General Manager,  
Internal Debt Management Department,  
Reserve Bank of India,  
Central Office Building,  
Mumbai-400 001.

By

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Registered Office .....  
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WHEREAS the Reserve Bank of India (RBI) has offered in principle to permit us to undertake Primary Dealer activity in Government securities in accordance with the Guidelines issued thereon from time to time.

AND WHEREAS as a precondition to our being authorized to undertake Primary Dealership activity we are required to furnish an undertaking covering the relative terms and conditions.

AND WHEREAS at the duly convened Board of Directors meeting of \_\_\_\_\_ on \_\_\_\_\_, the Board has authorised Shri/Smt./Kum. \_\_\_\_\_ and Shri/Smt./Kum. \_\_\_\_\_ to execute and furnish an UNDERTAKING to the Reserve Bank of India jointly and severally as set out below:

NOW, THEREFORE, in consideration of the RBI agreeing to permit us to undertake Primary Dealer activity, we hereby undertake and agree:

1. To commit to aggregatively bid in the auction of Treasury Bills and Government of India Dated Securities, to the extent of .....per cent of each issue of auction Treasury Bills and for a minimum amount equal to the underwriting commitment (allotted under Minimum Underwriting Commitment and Additional Competitive Underwriting) for Government of India Dated Securities and to maintain the success ratio in aggregate winning bids at not less than 40 per cent for Treasury Bills.
2. To offer to underwrite primary issues of Government of India dated securities, Treasury Bills and State Government securities, for which auction is held, and accept devolvement, if any, of any amount as may be determined by RBI in terms of prevalent scheme for Bidding/Underwriting.
3. a) To determine prudential ceilings, with the prior approval of the Board of Directors of the company, for reliance on borrowings from the money market including repos, as a multiple of net owned funds, subject to the guidelines, if any, issued by the Reserve Bank in this regard. (applicable to standalone PDs only)

- b) To adhere to prudential ceilings, with the prior approval of the Board of Directors of the bank, subject to the guidelines, if any, issued by the Reserve Bank in this regard. (applicable to bank-PDs only)
4. To offer firm two-way quotes through the Negotiated Dealing System (NDS) / NDS-OM, over the counter telephone market / recognised Stock Exchanges in India and deal in the secondary market in Government dated securities and Treasury Bills of varying maturity from time to time and take principal positions.
  5. To achieve a sizeable portfolio in Government securities and to actively trade in the Government securities market.
  6. To achieve an annual turnover of not less than 5 times in Government dated securities and not less than 10 times in Treasury Bills of the average of month-end stocks (*in the book separately maintained for the Primary Dealership business*) subject to the turnover in respect of outright transactions being not less than 3 times in Government dated securities and 6 times in Treasury Bills.
  7. To maintain the capital adequacy standards prescribed by the Reserve Bank of India, and to subject ourselves to all prudential and regulatory guidelines as may be issued by the Reserve Bank of India from time to time.
  8. To maintain adequate infrastructure in terms of both physical apparatus and skilled manpower for efficient participation in primary issues, trading in the secondary market, and for providing advice and education to investors.
  9. To adhere to "Guidelines on Securities Transaction to be followed by Primary Dealers" issued vide circular IDMC.No.PDRS/2049-A/03.64.00/99-2000 dated December 31, 1999 and Master Circulars issued from time to time and put in place necessary internal control systems for fair conduct of business and settlement of trades and maintenance of accounts.
  10. To comply with all applicable Reserve Bank of India/Securities and Exchange Board of India (SEBI) requirements under the existing guidelines and which may be laid down from time to time in this behalf, failing which RBI would be at liberty to cancel the authorisation as a Primary Dealer.
  11. To abide by the code of conduct as laid down by RBI/SEBI, the Primary Dealers' Association of India (PDAI) and the Fixed Income, Money Markets and Derivatives Association of India (FIMMDA).
  12. To maintain separate books of account for transactions relating to PD business (distinct from the normal banking business) with necessary audit trails and to ensure that, at any point of time, there is a minimum balance of Rs. 100 crore of Government securities earmarked for PD business. (applicable to bank-PDs only)
  13. To maintain and preserve such information, records, books and documents pertaining to our working as a Primary Dealer as may be specified by the RBI from time to time.

14. To permit the RBI to inspect all records, books, information, documents and make available the records to the officers deputed by the RBI for inspection/scrutiny and render all necessary assistance.
15. To maintain at all times a minimum net owned funds of Rs. 150 crore / Rs.250 crore in Government securities and to deploy the liquidity support from the RBI, net borrowings from call money market and net repo borrowings exclusively in Government securities. (applicable to standalone PDs only)
16. To maintain an arms length relationship in transactions with group and related entities.
17. To obtain prior approval of Reserve Bank of India for any change in the shareholding pattern of the company. (applicable to standalone PDs only)
18. To submit in prescribed formats periodic reports including daily transactions and market information, monthly report of details of transactions in securities and risk position and performance with regard to participation in auctions, annual audited accounts and an annual performance review and such statements, certificates and other documents and information as may be specified by RBI from time to time.
19. To report the matter immediately to Internal Debt Management Department of the RBI and abide by such orders, instructions, decisions or rulings given by the RBI if and when any kind of investigation/inquiry/inspection is initiated against us by statutory/regulatory authorities, e.g. SEBI/RBI, Stock Exchanges, Enforcement Directorate, Income-tax authorities etc.
20. To pay an amount of Rupees Five Lakh, or as applicable, to the Reserve Bank, for violation of any of the instructions issued by the Reserve Bank in the matter or for non-compliance with any of the undertakings given hereinabove.

We do hereby confirm that the above undertakings will be binding on our successors and assigns.

Dated this            day of                            Two Thousand .....

Signed, sealed and delivered by the within named,    )  
being the authorized persons, in terms of the            )  
Resolution No. \_\_\_\_\_ of the Board of Directors        )  
at the duly convened Meeting held on \_\_\_\_\_        )  
in the in the presence of \_\_\_\_\_                            )

Signatory        (i)  
                         (ii)

Witness         (i)  
                         (ii)

Notes :

1. Para **3.a**, **15** and **17** are applicable to standalone PDs only.
2. Paras **3.b**, words in italics in para **6** and para **12** are applicable to bank-PDs only.