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NOTIFICATION

Mumbai, the 22nd September, 2021

Subsidiary General Ledger Account: Eligibility Criteria and Operational Guidelines

No. IDMD.CDD.S788/11.22.001/2021-22. - In exercise of the powers conferred by Section 4 of the Government Securities Act, 2006 (38 of 2006) (the Act), the Reserve Bank of India (the Bank) hereby specifies the conditions applicable henceforth for opening and maintenance of a Subsidiary General Ledger (SGL) account.

I. A Subsidiary General Ledger (SGL) Account shall mean an account opened and held with the Bank for holding or/and transacting in Government Securities.

II. The Bank may open and maintain SGL accounts for conduct of its operations and for such purposes the Bank may deem necessary.

III. Eligible Entities:

The entities mentioned below are eligible to open and maintain an SGL account with the Bank:

- i. Licensed Banks
- ii. Primary Dealers authorised by Reserve Bank of India
- iii. Financial institutions as defined in terms of Section 45-I (c) (ii) of the Reserve Bank of India Act, 1934 (2 of 1934)
- iv. Central Government
- v. State Governments
- vi. Insurance Companies regulated by Insurance Regulatory and Development Authority
- vii. Mutual Funds regulated by Securities and Exchange Board of India
- viii. Provident and Pension Funds and Pension Fund Managers
- ix. Foreign Central Banks with prior approval of the Bank
- x. Depositories as defined under the Depositories Act 1996
- xi. Stock Holding Corporation of India (SHCIL)
- xii. Such other entities as may be allowed by the Bank from time to time

IV. Conditions for Opening & Maintenance of the SGL account:

i. An eligible entity, will in normal circumstances, be allowed to open and maintain only one SGL account. In certain cases, the Bank may allow an entity to open additional SGL accounts. An SGL account can be opened at its Public Debt Offices, as may be decided by the Bank from time to time.

ii. An SGL account holder shall not be eligible to open a constituent account with any Constituents' Subsidiary General Ledger (CSGL) account holder without specific approval from the Bank except in cases where the accounts are required to be opened for regulatory/margin maintenance purposes.

iii. An SGL account holder may be allowed to maintain a current account with the Bank to settle the funds in respect of transactions pertaining to the SGL account subject to obtaining specific approval of the Bank. An SGL account holder also has the option to maintain a settlement account with any designated settlement bank.

iv. The entity opening an SGL account shall submit an application form, indemnity bond and such other documents, as may be decided by the Bank from time to time.

v. The transfer of securities from/to an SGL account shall be on Delivery versus Payment basis, except as provided in paragraph vi. of the guidelines.

vi. Value Free Transfer (VFT): For the purpose of these guidelines, Value Free Transfer (VFT) of the securities shall mean transfer of securities from one SGL account to another SGL or CSGL account without corresponding payment leg

in the books of RBI. Value Free Transfers of securities shall be effected by SGL holders in the manner as may be prescribed by the Bank.

vii. An SGL account can be closed by the account holders by submitting a request mentioning therein the reason(s) for closure and action, if any, required to be taken by the Bank in respect of the Government securities held in such an SGL account.

viii. The SGL holders shall abide by these Guidelines on a continuous basis. Any failure to do so will attract appropriate action by the Bank including application of penal provisions under Section 30 of the Act. A declaration to this effect shall be submitted to PDO, Mumbai on an annual basis.

ix. The Bank may at any time direct an SGL account holder to furnish to the Bank, in such form, at such intervals and within such time, such statements, information or particulars relating to the SGL account or connected with transactions in the SGL account.

x. Any misuse of the SGL facility by the entity concerned, will make the entity liable to be debarred from holding of such an account as mentioned in Section 27 of the Act, in addition to inviting the penalties as provided in Section 30 of the Act.

xi. The Reserve Bank, on being satisfied that it is necessary to do so, may exempt any SGL account holder or a class of SGL account holders either generally or for such period as may be specified, from any or all of the provisions of these Guidelines, subject to such terms or conditions or limitations or restrictions as it may think fit and proper to impose, in the interest of public or financial system of the country.

xii. These guidelines are issued in supersession of the earlier guidelines issued by the Bank vide Notification No. 1078 dated October 29, 2018 (published in The Gazette of India – Extraordinary – Part III – Section 4).

(R Subramanian)
Executive Director
Reserve Bank of India

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Mumbai, the 22nd September, 2021

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

No. IDMD.CDD. S788/11.22.001/2021-22.—In exercise of the powers conferred by Section 4 of the Government Securities Act, 2006 (38 of 2006) (the Act), the Reserve Bank of India (the Bank) hereby specifies the conditions applicable henceforth 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 interests of their constituents.

I. A Constituent Subsidiary General Ledger (CSGL) shall mean a subsidiary general ledger (SGL) account opened and maintained with the Bank by an agent on behalf of the constituents of such agent;

II. The Bank may open and maintain CSGL accounts for conduct of its operations and for such purposes the Bank may deem necessary.

III. Eligible Entities:

The entities mentioned below are eligible to open and maintain a CSGL account with the Bank on behalf of their constituents-also known as 'Gilt Account Holders' (GAHs):

- i. Licensed banks with minimum net worth of Rs.100 cr.
- ii. Primary Dealers authorised by Reserve Bank of India
- iii. Depositories as defined under Depositories Act 1996
- iv. Clearing Corporation of India Limited or other Clearing Corporations as may be approved by the Bank
- v. National Bank for Agriculture and Rural Development (NABARD)
- vi. Stock Holding Corporation of India Ltd (SHCIL)
- vii. Such other entities as may be allowed by the Bank from time to time.

IV. Operational Guidelines to be complied with by the CSGL Account Holders

i. An eligible entity will, in normal circumstances, be allowed to open and maintain only one CSGL account. In certain cases, the Bank may allow an entity to open additional CSGL accounts. A constituent is not permitted to open and maintain an SGL account with the Bank (except when the SGL account has been opened after specific approval of the Bank or for regulatory/margin purposes).

ii. The CSGL account holders shall ensure that the constituents for whom the gilt accounts are 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.

iii. The CSGL account holders, who are regulated by the Bank, shall follow guidelines on 'Know Your Customer' (KYC) Direction, 2016 issued by the Bank and as amended from time to time, in respect of their constituents. Other CSGL account holders shall follow the relevant guidelines on KYC issued by their respective regulators. The gilt accounts opened with a CSGL holder shall have unique numbers.

iv. A constituent is permitted to open one or more gilt account with any of the CSGL account holders. This permission will be subject to the relevant guidelines/instructions on their operations, if any, issued by the constituent's respective regulators.

v. The transfer of securities from/to a CSGL account shall be on Delivery versus Payment basis, except as provided in paragraph vi. of the guidelines.

vi. Value Free transfer - For the purpose of these Guidelines, Value Free Transfers (VFT) of the securities shall mean transfer of securities from one CSGL account to another CSGL or SGL account without corresponding payment leg in the books of RBI. Value Free Transfers of securities shall be effected by CSGL holders in the manner as may be prescribed by the Bank.

vii. The CSGL account holders must have appropriate Information Technology (IT) infrastructure to maintain accounts and put through 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.

viii. The CSGL account holder shall execute with their constituents an agreement, 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 for the constituents.

ix. The CSGL account holders shall ensure that deals/transactions pertaining to constituents are put through according to the instructions of the constituents concerned and appropriate records are maintained for such instructions received from their constituents. The CSGL account holder shall refrain from setting off Government securities in the CSGL account or otherwise deal with the Government securities to extinguish partly or fully any amounts due to it from the constituents without a written consent from the constituents.

x. 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 Bank.

xi. The CSGL account holders shall issue/post a deal slip for each buy/sell transaction put through on behalf of the constituents concerned 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 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.

xii. 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.

xiii. 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 guidelines issued by the Bank, for entering into such transactions/deals.

xiv. 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.

xv. The CSGL account holders shall ensure daily reconciliation of outstanding balances in their CSGL account as per the E-kuber 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 E-kuber Helpdesk, Department of Information Technology (DIT) and Public Debt Office (PDO), Mumbai to ensure reconciliation of balances before next day-end.

xvi. 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:

- a) Completion of documents for opening the constituent account;
- b) Authorisation of each transaction in the CSGL account by the constituent concerned and that the securities bought/sold have been credited/debited to the gilt account on due date;

- c) Issuance of debit/credit advices on time to the constituents for each transaction put through on their behalf;
- d) Reconciliation of the outstanding balances in the CSGL account vis-à-vis the constituent-wise holding details on a daily basis;
- e) Receipt of balance confirmation certificates from the constituents on half-yearly basis;
- f) Crediting of interest/redemption proceeds to the constituents' fund account on due date; and
- g) Ensuring the eligibility of the constituent, as per latest guidelines issued by the Bank, to put through the deal/transaction and that the deal price is in line with the prevailing market rates.

xvii. 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 a 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 PDO, Mumbai (pdomumbai@rbi.org.in).

xviii. The Bank may at any time direct the CSGL Account holder to furnish to the Bank, in such form, at such intervals and within such time, such statements, information or particulars relating to CSGL account or connected with transactions in the CSGL account.

xix. The CSGL account holder shall submit constituent-wise holding details electronically, as per Annex to the Chief General Manager, Reserve Bank of India, Internal Debt Management Department, Central Office Building, 23rd Floor, Fort, Mumbai - 400001 (email id: cgmimd@rbi.org.in) on a quarterly basis as on March 31, June 30, September 30 & December 31, by the 1st week of the following month.

xx. The CSGL account holders shall furnish copies of half-yearly review reports, as on March 31 and September 30 each year, of investments in the CSGL account on behalf of constituents, including brokers, to the Internal Debt Management Department of the Bank.

xxi. The CSGL holders shall abide by these Guidelines on a continuous basis. Any failure to do so will attract appropriate action by the Bank including application of penal provisions under Section 30 of the Act. A declaration to this effect shall be submitted to PDO, Mumbai on an annual basis.

xxii. Notwithstanding anything contained in these guidelines, the Reserve Bank reserves the right to take any action including temporary or permanent debarment of the CSGL account holder, as mentioned in Section 27 of the Act, in addition to inviting the penalties as provided in Section 30 of the Act for violation of the terms and conditions of the opening and maintenance of CSGL accounts or misuse of the CSGL facility by the entity concerned or breach of the operational guidelines issued from time to time.

xxiii. The Reserve Bank, on being satisfied that it is necessary to do so, may exempt any CSGL account holder or class of CSGL account holders either generally or for such period as may be specified, from any or all of the provisions of these Guidelines, subject to such terms or conditions or limitations or restrictions as it may think fit and proper to impose, in the interest of public or financial system of the country.

xxiv. These guidelines are issued in supersession of the earlier guidelines issued by the Bank vide **Notification No. 1078** dated October 29, 2018 (published in The Gazette of India – Extraordinary – Part III – Section 4).

(R Subramanian)
Executive Director
Reserve Bank of India

Statement on Ownership Pattern of Government Securities Held in the Gilt Accounts as on Quarter ended					
Name of the CSGL account holder:					
CSGL account number:					
Sr. No.	Name of Constituent	Investor Group@	Type of Security^	ISIN	Face Value
1.					
2.					
3.					
4.					
5.					
6.					
7.					
8.					
9.					
10.					

@ Commercial Banks/ State or Dist. Central Co-op Banks/ Urban Co-operative Banks/ Mutual Funds/ Insurance Companies/ Financial Institutions/ Corporates/ HUF/ Individuals/ FPIs/ Provident Funds/ Others

^ Central Government Dated Security/ T-Bills/State Government Securities/Others (please specify)