

# Regulatory and Other Measures

JUNE 2005

## Selected circulars issued by the Reserve Bank of India during June 2005 reproduced below:

Ref. No. RBI. 2004-05/496 UBD(PCB)/Cir.49/09.80.00/2004-05 dated June 20, 2005

The Chief Executive Officers of All Primary (Urban) Co-operative Banks

Please refer to paragraph 10 of our master circular UBD. BPD(PCB) MC No: 16/16.20.00/2004-05 dated February 18, 2005 in terms of which primary (urban) co-operative banks maintaining a Subsidiary General Ledger (SGL) account with Reserve Bank of India, Mumbai and any scheduled bank which does not maintain SGL account with the Reserve Bank of India but maintains gilt account (i.e gilt account holder) with a bank or any other entity (i.e. the custodian) permitted by the Reserve Bank of India to maintain Constituent Subsidiary General Ledger (CSGL) account with its Public Debt Office, Mumbai are permitted to enter into ready forward contracts (including reverse ready forward contract) in Government Securities and Treasury Bills subject to the conditions specified in the master circular under reference.

2. In order to further widen the repo market in Government Securities and as proposed in the Annual Policy Statement for the year 2005-06 announced on April 28, 2005, it has been decided to permit participation in repo market, both repos and reverse repos, to all non-scheduled Urban Co-operative Banks having gilt account with an SGL Account holder subject to the conditions stipulated in paragraph 10 of our Master Circular UBD. BPD(PCB) MC No: 16/16.20.00/2004-05 dated February 18, 2005.

3. Further, a reference is invited to provisions indicated at paragraph 10.3.3 of the master circular under reference in terms of which co-operative banks may not enter into ready forward contracts with the non-banking financial companies. It is clarified that this restriction would not apply to repo transactions between Urban Co-operative Banks and authorised Primary Dealers in Government Securities.

Ref. No. RBI.2004-05/497 UBD(PCB)/Cir.50/09.80.00/2004-05 dated June 20, 2005

The Chief Executive Officers of All Primary (Urban) Co-operative Banks

Please refer to our circular UBD.BPD. Cir 44/09.29.00/2003-04 dated April 12, 2004 on the captioned subject. In the Annual Policy Statement for the year 2005-06 announced on April 28, 2005, it was proposed that the settlement system for transactions in Government Securities would be standardised to T+1 basis.

2. The Technical Advisory Committee (TAC) on Money, Government Securities and Forex Markets had earlier discussed and advised migration to a uniform system of T+1 settlement for all outright secondary market transactions in Government Securities. Standardising the settlement period to T+1 would provide participants more processing time for transactions and hence will help better funds management as well as risk management.

3. Accordingly, it has now been decided to adopt a standardised settlement on T+1 basis of all outright secondary market transactions in Government Securities. This has come into effect from May 25, 2005.

4. In the case of repo transactions in Government Securities, however, market participants will have the choice of settling the first leg on either T+0 basis or T+1 basis, as per their requirements.

Ref. No. RBI. 2004-05/498 UBD(PCB)/Cir. 51/09.80.00/2004-05 dated June 20, 2005

The Chief Executive Officers of All Primary (Urban) Co-operative Banks

Please refer to our circular UBD.No. POT.CIR.PCB.39/09.29.00/2000-2001 dated April 18, 2001 on the captioned subject. As per the extant instructions, the sale contract in respect of securities

allotted to successful bidders in primary issues on the day of allotment, can be entered into, inter-alia, only between entities having SGL Account and settled under the RBI's DVP system.

2. It was proposed in the Annual Policy Statement for the year 2005-06 dated April 28, 2005 to permit sale of Government Securities allotted in primary issues with and between CSGL account holders also on the same day of allotment.

3. As proposed in the Annual Policy Statement, in order to facilitate further deepening of the Government Securities market, it has been decided with immediate effect, to permit, sale of Government Securities allotted to successful bidders in primary issues on the day of allotment, with and between CSGL constituent account holders.

4. All other instructions on sale of securities allotted in primary issues on the same day remain unchanged.