

**Auction of Government Securities: Non-competitive
Bidding Facility to Retail Investors – Consolidation
of SGL Balances for SLR purpose.**

DBOD.No.BC. 60 /12.02.001/2001-02

January 25, 2002

**To All Scheduled Commercial Banks
(Excluding Regional Rural Banks)**

Dear Sir,

**Auction of Government Securities: Non-competitive
Bidding Facility to Retail Investors – Consolidation
of SGL Balances for SLR purpose.**

Please refer to the circular No.IDMC.2769/08.01.02/2001-2002 dated December 7,2001 issued to banks by our Internal Debt Management Cell (IDMC) enclosing therewith a scheme formulated by them to allocate up to a maximum of five percent of the notified amount in auctions of select government securities for allotment to retail investors on a 'non-competitive' basis at the weighted average rate. The scheme has been introduced with a view to encouraging wider participation and retail holding of government securities.

2. In terms of paragraph IV.6 of the scheme, securities would be issued only in SGL form. RBI would credit either the main SGL account or CSDL account of the bank. The facility for affording credit to the main SGL account is for the sole purpose of servicing investors who are not banks' constituents. Therefore, banks would have to indicate clearly at the time of tendering the non-competitive bids, the amounts (face value) to be credited to their SGL account and CSDL account. Delivery in physical form from the main SGL account is permissible at the instance of the investor. Accordingly, the securities would be transferred to CSDL account of the retail client with another entity (NSDL,SHCIL, etc.) or conversion into the physical form, as per the client's requirements.

3. As the process referred to above in para 2 above is likely to take some time at our PDOs, it is possible that securities belonging to retail clients could remain in the SGL accounts of the banks till their transfer to the required CSDL account or conversion into physical form is completed and accounted for.

4. As you are aware, banks are expected to take into account only securities that belong to them for the purpose of maintenance of SLR requirements. Since it should be possible for banks to verify/identify the ownership of securities as auction bids are

submitted along with list containing the details of individual bidders, you are advised to ensure that the securities belonging to the retail clients parked in the banks' SGL accounts are **not** included while reckoning the balance for the purpose of maintenance of SLR.

Yours faithfully

(R.C. Mittal)
General Manager