

Revised General Notification for issue of Government of India Dated Securities

Ref.No.IDMC. 4859 /08.01.01/2001-02

May 7, 2002

All Scheduled Commercial Banks excluding RRBs/
All State Co-operative Banks/All Scheduled Primary
(Urban) Co-operative Banks /All Financial Institutions/
All Primary & Satellite Dealers.

Dear Sirs,

Revised General Notification for issue of Government of India Dated Securities

A reference is invited to our circular IDMC.3254/08.08.20/96.97 dated April 1, 1997 forwarding therewith a copy of the general notification F.No.4(2)-W&M/97 dated 01.04.97 issued by Government of India for issue of Government of India dated securities.

2. Government of India have now issued the revised General Notification F.No. 4(9)-W&M/2000 dated May 6, 2002 for issue of Government Stock in supersession of the earlier general notification F.No.4(2)-W&M/97 dated 01.04.97 as amended from time to time. A copy of the revised general notification is enclosed.

3.The revised general notification incorporates the following additional features:

- (a) **Uniform Price Method for auctions-** In addition to the multiple price format, the features of uniform price method have been incorporated in the revised notification (Para 5.1(v)).
- (b) **Non-competitive bidding in GOI securities auctions** - The features of non-competitive bidding in the auctions of GOI securities have been incorporated in Para 5.1(vi) of the revised notification. The Para have been so worded as to keep the flexibility regarding the percentage of the notified amount reserved for non-competitive bidders.
- (c) **Form of security- Bond Ledger account(BLA)-** Provision has been made in Para 2.5 read with Para 2.6 of the revised notification for issue of Government securities in Bond Ledger Account form and payment of interest on such securities. So far, the holding of Government securities in BLA has not been permitted but these provisions will give the flexibility for permitting holding in such form in case and as and when it is decided to permit so.
- (d) **Payment for Government securities-** Provision has been made in Para 2.4 of the revised notification for making payment for Government securities by successful participants through Electronic Fund Transfer (EFT) in a secured environment or by any other means as specified by RBI.
- (e) **Call and Put Options-** Provision for Call and Put options and any other embedded derivative feature in the issue of securities have been incorporated in Para 2.7 and Para 6(vi) of the revised notification enabling Government of India to issue securities with any such features.

- (f) **Retaining of excess subscription-** a provision has been made in the Para 5.2 (iii) of the revised notification to retain the excess subscription **when securities are issued through pre-announced coupon rates.**
- (g) **Allocation to RBI-** It has been provided at Para 3 of the revised notification that the allocation of securities to RBI in the auctions will be at cut-off price/yield in the auctions or at any other price / yield decided by Government of India.
- (h) **Submission of bids in electronic form** - Provision has been made for submission of bids in electronic form in the Para 2.3 of the revised notification.

As may be observed, the revised General Notification encompasses initiatives such as introduction of non-competitive retail system, uniform price auction method, etc., which were being grounded through specific notifications; provides flexibility for and facilitates initiation of further instruments, formats, options etc and takes into account the ongoing as also the future technological developments.

Yours faithfully,

Sd/
(A.S.Rao)
General Manager
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