

Sale of Securities Allotted in Primary Issues on The Same Day

IDMC. PDRS. No. PDS.1/03.64.00/2000-01

October 6, 2000

All Primary Dealers & Satellite Dealers in
Government Securities Market

Dear Sir,

Sale of securities allotted in Primary issues on the same day

As you are aware, in the “Statement on Monetary and Credit Policy”, April 2000, vide paragraph No. 52, it has been stated that:

“In terms of Guidelines issued by Reserve Bank of India, no sale should be entered into without actually having securities in the investment portfolio at the time of sale. This procedure is inhibiting entities, which get allotment in primary issues from selling securities allotted, on the same day. Hence, it has been decided to remove such restriction and allow such entities to sell securities after they have been allotted to them, thus enabling sale, settlement and transfer on the same day.”

2. It is hereby advised that entities successful in the auction of Government securities, may, enter into contracts for sale of the allotted securities, in accordance with the following terms and conditions.

- (i) Sale deal can be entered into only once by the allottee on the basis of authenticated allotment advice issued by Reserve Bank of India. The seller should make suitable noting /stamping on the allotment advice indicating the sale contract number etc. the details of which should be intimated to the buyer.
- (ii)** The face value of securities sold should not exceed the face value of the securities indicated in the allotment advice.
- (iii)** The sale contract can be entered into only between entities having SGL Account with Reserve Bank of India and settled through Reserve Bank of India’s DVP system.
- (iv)** Separate record of such sale deals should be maintained containing details such as number and date of allotment advice, description and the face value of securities allotted, the purchase consideration, the number, the date of delivery and face value of securities sold, sale consideration, the date and details of actual delivery i.e. SGL form No. etc. This

- (vi)** The entities will be solely responsible for any failure of contracts due to securities not being credited to their SGL Account on account of non-payment/bouncing of cheques etc.
- (vii)** Such type of sale transactions of Government securities allotted in auctions for primary issues on the same day and based on authenticated allotment advice should be subjected to concurrent audit and the relative report should be placed before the CEO. A monthly report of instances of deviations reported by concurrent auditor, if any, should also be sent to Internal Debt Management Cell, Reserve Bank of India, Central office, 16th Floor, Mumbai-400001.

Please acknowledge the receipt.

Yours faithfully,

(Usha Thorat)

Chief General Manager –in Charge