

RBI/2004-05/133

UBD. NO. SUB. CIR. 2 /09.80.00/2004-05

August 19, 2004

The Chief Executive Officers of
All Scheduled Primary (Urban) Co-op. Banks

Dear Sir,

Transactions in Government Securities – DVP III mode of settlement

Please refer to the instructions contained in our circular BPD.SUB.CIR. 5 /09.80.00/2003-04 dated April 28, 2004 under which sale of government securities already contracted for purchase was permitted provided certain conditions stipulated therein were satisfied. To enable the implementation of this relaxation, the settlement of government securities carried out through CCIL was shifted to DVP-III mode.

2. We have since received enquiries from market participants to clarify whether the revised regulations are applicable to Gilt Account holders also, who hold their stock of government securities in Gilt Accounts maintained with eligible custodians maintaining CSLG accounts in the Public Debt Office of the Reserve Bank. It is clarified that, for the present, the revised regulations contained in the above circular will not be applicable to transactions of Gilt Account holders. Accordingly, Gilt Account holders are not entitled to undertake any sale transaction unless the security sold is actually held in the Gilt Account of the constituent. It is further clarified that the relaxations permitted in the above circular are also not applicable when the counter party in the purchase contract is a Gilt Account holder with the custodian itself. You may please note the instructions for implementation while dealing with Gilt Account holders.

3. Please acknowledge receipt to our concerned Regional Office.

Yours faithfully,

Sd/-

(N. S. Vishwanathan)
Chief General Manager