

**RBI /2004-05/116**  
DBOD.FSC.BC.28/24.76.002/2004-05  
2004

August 12,

**All Commercial Banks  
(Excluding RRBs)**

Dear Sirs,

**Transactions in Government Securities**

Please refer to the instructions contained in Bank's circular No. [RBI/2004/123 \(IDMD.PDRS.05/10.02.01/2003-04\)](#) dated March 29, 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 CSGL 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, Primary Dealers who act as custodians (i.e., CSGL account holders) and offer the facility of maintaining Gilt Accounts to their constituents should **not** permit settlement of any sale transaction by their constituents 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 counterparty in the purchase contract is a Gilt Account holder with the custodian itself. You may note to advise all your constituents holding Gilt Accounts with you of this position.

3. Please acknowledge receipt.

Yours faithfully,

**(P. Vijaya Bhaskar)**  
**Chief General Manager**