

RBI/2007-2008/186

IDMD.PDRS.No. 2382/03.64.00/2007-08

November 14, 2007

All Primary Dealers in the Government Securities Market and scheduled commercial banks undertaking PD business departmentally

**Revised Scheme of Underwriting Commitment and Liquidity Support**

Please refer to our circular IDMC.No.3007/03.64.00/2005-06 dated April 4, 2006 on the Scheme for Underwriting Commitment.

2. In terms of the aforesaid Scheme, the Reserve Bank of India announces the Minimum Underwriting Commitment (MUC) for each PD and the amount for which Additional Competitive Underwriting (ACU) auction will be held. Each PD is required to bid for a minimum of three percent of the notified amount in the ACU auction.

3. The Scheme has been reviewed and it has been decided that the minimum bidding requirement for each PD in the ACU auction would henceforth be equal to the amount of MUC. An illustration of the revised minimum commitment for PDs in the ACU auction is enclosed in the Annex.

4. The basis for payment of underwriting commission and other terms and conditions of the underwriting scheme would, however, remain unchanged.

Yours faithfully

(K.V. Rajan)  
Chief General Manager

**Illustration of the change in minimum bidding commitment of Primary dealers in the Additional Competitive Underwriting auction**

Sl. No.	Name	Basis	Present Method	Revised Method
(Amount in Rs crore)				
	Notified Amount		5000	5000
1	No. of PDs		19	19
2	Minimum Underwriting Commitment	5000/2	2500	2500
3	PD's share under MUC	2500/19	131.58	131.58
4	Rounded off to		132	132
5	Total PD commitment under MUC	132x19	2508	2508
6	Balance under AUC	Total notified amount minus MUC	2492	2492
7	Minimum bid from each PD under AUC	3 per cent of notified amount	150	132
8	Total commitment under ACU for each PD	(Sr. No. 4+ Sr. No. 7)	282	264
9	Total commitment under ACU for all PDs	(Sr No. 7 x Sr. No.1)	2850	2508
10	Total Underwriting (5+9)		5358	5016