

RBI/2008-09/479

IDMD.No. 5877 /08.02.33/2008-09

May 22, 2009

All NDS Members

Dear Sir / Madam,

Annual Policy Statement for the year 2009-10 – Auction Process of Government of India Securities

Please refer to para 96 of the Annual Policy Statement 2009-10 (extract enclosed) on the above subject.

2. The Reserve Bank of India, in consultation with the Government of India, has decided to make certain changes in the manner in which bids are submitted in the auctions of the Government of India securities. NDS members may be guided by the contents of the Press Release (copy enclosed) issued in this regard.

3. NDS members may submit a single consolidated bid electronically in respect of non-competitive bids on behalf of constituents / non-constituents. However, a complete record of the details of non-competitive bids may be maintained by them and such bids should be subjected to concurrent audit to ensure that the participants under the Scheme comply with the terms and conditions of the Non-competitive Bidding Scheme. It may also be ensured that non-competitive bidders submit a single bid only, not exceeding Rs.2 crore each. In case of partial allotments, it shall be the responsibility of the bank or the Primary Dealer concerned to appropriately allocate securities to their clients in a transparent manner. If the aggregate amount of bids is more than the reserved amount (5% of notified amount), pro rata allotment would be made, as hitherto.

4. The changes in the auction procedure shall be operational with immediate effect.

Yours faithfully,

(K.V.Rajan)
Chief General Manager

Extract from the Annual Policy Statement for the year 2009-10

Auction Process of Government of India Securities

96. As indicated in the Mid-Term Review of October 2008, the recommendations of the Internal Working Group (Chairman: H.R. Khan) involving the Reserve Bank such as reduction of the time gap between bid submission and declaration of auction results have already been implemented. The other recommendations of the Working Group such as: (i) withdrawal of the facility of bidding in physical form and submission of competitive bids only through the NDS; and (ii) submission of a single consolidated bid on behalf of all its constituents by the bank/primary dealer (PD) in respect of non-competitive bids will be implemented after the amendments in the specific notification and in the scheme for non-competitive bidding facility by the Government of India.