

June 15, 2010

All Primary Dealers

Dear Sir

**Primary Dealers – Imposition of Penalties – Disclosure**

As you are aware, in terms of paragraph 15 of the Master Circular on Operational Guidelines issued to the Primary Dealers on July 1, 2009, RBI is empowered to impose penalties on Primary Dealers for any violation / circumvention of the guidelines or the terms and conditions of the undertaking given by the Primary Dealers. The imposition of penalty on a Primary Dealer is decided after a due process of advising the Primary Dealer and seeking its explanation so as to afford a reasonable opportunity to the Primary Dealer for being heard has been given.

2. In order to maintain transparency with regard to imposition of penalties and in conformity with the best practices in disclosure of penalties imposed by the regulator, it has been decided that the details of the penalty levied on a Primary Dealer should be placed in the public domain.
3. The mode of disclosure of penalties imposed by the Reserve Bank would be as follows:
  - a) A Press Release will be issued by the Reserve Bank giving details of the circumstances under which the penalty is imposed on the Primary Dealer alongwith the communication on the imposition of penalty in public domain.
  - b) The penalty should also be disclosed in the “Notes on Accounts” to the Balance Sheet of the Primary Dealer in the next Annual Report.
4. The above guidelines would be effective from July 1, 2010.

Yours faithfully

(K.K.Vohra)  
Chief General Manager