



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

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November 01, 2016

All Scheduled Commercial Banks
All State Co-operative Banks/ All Scheduled Primary
(Urban) Co-operative Banks / All Financial Institutions/
All Primary Dealers.

Dear Sir/Madam,

Auction of Government of India Dated Securities

Government of India has offered to sell (issue/re-issue) four dated securities for notified amount of ₹ 15,000 crore as per the following details:

Sr No	Security	Notified Amount (in ₹ crore)	GoI Notification	Auction Date	Settlement date
1	8 Yrs. FRB 2024	3,000	4(2)-W&M/2016 dated November 01, 2016.	November 04, 2016 (Friday)	November 07, 2016 (Monday)
2	7.61% GS 2030	7,000	4(2)-W&M/2016(i) dated November 01, 2016.		
3	7.50% GS 2034	2,000	4(2)-W&M/2016(ii) dated November 01, 2016		
4	7.06 GS 2046	3,000	4(2)-W&M/2016(iii) dated November 01, 2016.		
	Total	15,000			

The auction for securities will be **price based using multiple price method**. The Reserve Bank of India at Mumbai will conduct the auctions. The salient features of the auctions and the terms and conditions governing the issue of the Stocks are given in the notifications (copies enclosed), which should be read along with the General Notification F. No. 4 (13)-W&M/2008, dated October 8, 2008 issued by Government of India.

2. We wish to draw your attention, in particular, to the following:

A. With regard to Floating Rate Bonds (FRBs)

- i. The bonds will carry a variable interest rate to be computed by taking the average of the implicit yields at cut-off prices of last three auctions of Government of India 182 day Treasury Bills. The reset and payment of variable interest will be made on a semi-annual basis.
- ii. The implicit yield will be computed by reckoning 365-day year.
- iii. The coupon rate for payment of interest, as per the aforesaid formula for the first half year ending May 07, 2017 will be 6.51 per cent. (Please see enclosed illustration)
- iv. The variable coupon rate for the subsequent semi-annual periods, to be worked out as per the aforesaid formula, will be announced by RBI on or before the commencement of the relative coupon periods.
- v. In the event of Government of India 182-day Treasury Bill auctions being discontinued during the currency of the Bonds, the coupon rate will be the average of Yield to Maturity (YTM) rates prevailing for six month Government of India Security/ies as on the last three non-reporting Fridays prior to the commencement of the semi-annual coupon period. In case particular Friday/s is/are holiday/s, the yield to maturity rates as on the previous working day shall be taken.
- vi. 'Floating Rate Bonds 2024' will be repaid at par on November 07, 2024.
- vii. There will be no floor or cap for the interest rate on the Floating Rate Bonds.

B. In all the cases

- (i) The Stocks will be issued for a minimum amount of Rs.10,000/- (nominal) and in multiples of Rs 10,000/- thereafter.
- (ii) In all the auctions, Government Stock up to 5% of the notified amount of sale will be allotted to the eligible individuals and institutions under the [Scheme for Non-competitive Bidding Facility](#) in the Auctions of Government Securities. Each bank or PD on the basis of firm orders received from their constituents will submit a single consolidated non-competitive bid on behalf of all its constituents in electronic format on the Reserve Bank of India Core Banking Solution (E-Kuber) system. Allotment under the non-competitive segment to the bank or PD will be at the weighted average rate of yield/price that will emerge in the auction on the basis of the competitive bidding.
- (iii) Both competitive and non-competitive bids for the auction should be submitted in electronic format on the Reserve Bank of India Core Banking Solution (E-Kuber) system on **November 04, 2016**. Bids in physical form will not be accepted except in extraordinary circumstances. The non-competitive bids should be submitted between 10.30 a.m. and 11.30 a.m. and the competitive bids should be submitted between 10.30 a.m. and 12.00 noon.
- (iv) An investor can submit more than one competitive bid at different prices in electronic format on the Reserve Bank of India Core Banking Solution (E-Kuber) system. However, the aggregate amount of bids submitted by a person in an auction should not exceed the notified amount of auction.

(v) On the basis of bids received, the Reserve Bank will determine the minimum price up to which tenders for purchase of Government Stock will be accepted at the auctions. Bids quoted at rates lower than the minimum price determined by the Reserve Bank of India will be rejected. Reserve Bank of India will have the full discretion to accept or reject any or all bids either wholly or partially without assigning any reason.

(vi) The result of the auctions will be announced on **November 04, 2016** and payment by successful bidders will be on **November 07, 2016. (Monday)**.

(vii) The Government Stocks will be issued by credit to Subsidiary General Ledger Account (SGL) of parties maintaining such account with Reserve Bank of India or in the form of Stock Certificate. Interest on the Government Stock will be paid half-yearly.

(viii) The Government Stocks will be repaid at par on **November 07, 2024; May 09, 2030; August 10, 2034, and October 10, 2046** respectively.

(ix) The Stocks will qualify for the ready forward facility.

(x) The Stocks will be eligible for "When Issued" trading during the period **November 02- November 04, 2016**. in accordance with guidelines on 'When Issued' transactions in Central Government Securities issued by Reserve Bank of India vide [circular No.RBI /2006-07/178 dated November 16, 2006](#) as amended from time to time.

Yours faithfully

(Chandan Kumar)
General Manager

Illustration: Rate of interest payable on Floating Rate Bonds 2024

Calculation of variable coupon rate applicable for the half Year ending May 07, 2017

S.No.	Date of auction	Cutoff price	Implicit yield at cut off price
1	Sep 21, 2016	96.80	6.6297
2	Oct 05,2016	96.89	6.4373
3	Oct 19, 2016	96.88	6.4587
Total			19.5257

@ annualized for 365 day year

Variable Coupon Rate = $(19.5257 / 3) = 6.5086$

Rounded off to two decimal places = 6.51

Interest rate applicable for the year

(November 07, 2016 to May 06, 2017) = 6.51 per cent per annum