



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA
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November 23, 2017

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

Dear Madam/ Sir,

Auction of Government Securities: Non-Competitive Bidding Facility to retail investors

Please refer to the [circular IDMC./08.01.02/2001-02 dated December 7, 2001](#) as well as the [press release dated July 28, 2016](#) whereby the facility of non-competitive bidding in Government of India dated securities and T-Bills was allowed to retail investors.

2. As part of the overall strategy of diversifying the investor base for government securities, the Government of India and RBI have been taking various measures to encourage participation of retail investors in G-Sec market including introduction of non-competitive bidding in primary auctions. In continuation of this endeavour, the Union Budget 2016-17 had announced, inter-alia, that RBI will facilitate retail participation in the primary markets through stock exchanges. In line with this announcement and in consultation with SEBI, it has been decided that in addition to scheduled banks and primary dealers;

- (a) Specified stock exchanges will be permitted to act as aggregators/facilitators.
- (b) These stock exchanges will submit a single consolidated non-competitive bid in the auction process and will put in place necessary processes to transfer the securities so allotted in the primary auction to their members/clients.
- (c) Stock-exchanges, desirous of acting as aggregators/facilitators, may approach CGM, IDMD, RBI, with a copy of the No Objection Certificate (NOC) from SEBI, for necessary approvals.

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हिंदी आसान है, इसका प्रयोग बढ़ाइए

चेतावनी: रिज़र्व बैंक द्वारा ई-मेल, डाक, एसएमएस या फोन-कॉल के जरिए किसी भी व्यक्तिगत जानकारी जैसे बैंक के खाते का ब्यौरा, पासवर्ड आदि नहीं मांगी जाती है। यह धन रखने या देने का प्रस्ताव भी नहीं करता है। ऐसे प्रस्तावों का किसी भी तरीके से जवाब मत दीजिए।

Caution: RBI never sends mails, SMSs or makes call asking for personal information like Bank Account details, passwords, etc. It never keeps or offers funds to anyone. Please do not respond in any manner to such offers.

3. The updated Scheme for Non-Competitive Bidding Facility in the auctions of Government Securities and Treasury Bills is given in **Annex**.

Yours faithfully,

(A. Mangalagiri)
Chief General Manager

Scheme for Non-Competitive Bidding Facility in the auction of Government of India Dated Securities and Treasury Bills

I. Scope: With a view to encouraging wider participation and retail holding of Government securities, retail investors are allowed participation on “*non-competitive*” basis in *select* auctions of dated Government of India (GoI) securities and Treasury Bills.

II. Definitions: For the purpose of this scheme, the terms shall bear the meaning assigned to them as under:

- a. Retail investor is any person, including individuals, firms, companies, corporate bodies, institutions, provident funds, trusts, and any other entity as may be prescribed by RBI.
- b. ‘Aggregator/Facilitator’ means a Scheduled Bank or Primary Dealer or Specified Stock Exchange permitted to aggregate the bids received from the investors and submit a single bid in the non-competitive segment of the primary auction.
- c. ‘Specified stock exchange’ means SEBI recognised Stock Exchange, which have received No Objection Certificate (NOC) from SEBI to act as aggregator/facilitator in the primary auction segment.
- d. ‘Eligible Provident Funds’ are those non-government provident funds governed by the Provident Funds Act 1925 and Employees’ Provident Fund and Misc. Provisions Act, 1952 whose investment pattern is decided by the Government of India.

III. Eligibility:

(A) Participation on a non-competitive basis in the auctions will be open to a retail investor who:

1. does not maintain current account (CA) or Subsidiary General Ledger (SGL) account with the Reserve Bank of India; and
2. Submits the bid *indirectly* through an Aggregator/Facilitator permitted under the scheme.

Exceptions:

a. Regional Rural Banks (RRBs) and Cooperative Banks:

- i. Regional Rural Banks (RRBs) and Cooperative Banks shall be covered under this Scheme only in the auctions of dated securities in view of their statutory obligations.
- ii. Since these banks maintain SGL account and current account with the Reserve Bank of India, they shall be eligible to submit their non-competitive bids directly.

b. State Governments, eligible provident funds and Others:

- i. State Governments, eligible provident funds in India, the Nepal Rashtra Bank, Royal Monetary Authority of Bhutan and any Person or Institution, specified by the Bank, with the approval of Government, shall be covered under this scheme *only* in the auctions of Treasury Bills.
- ii. These bids will be outside the notified amount.

- iii. There will not be any restriction on the maximum amount of bid for these entities.

IV. Quantum: Allocation of non-competitive bids from retail investors will be restricted to a maximum of five percent of the aggregate nominal amount of the issue within the notified amount as specified by the Government of India, or any other percentage determined by Reserve Bank of India.

V. Amount of Bid:

1. The minimum amount for bidding will be Rs.10,000 (face value) and thereafter in multiples in Rs.10,000 as hitherto.

2. In the auctions of GoI dated securities, the retail investors can make a single bid for an amount not more than Rupees Two crore (face value) per security per auction.

VI. Other Operational Guidelines:

1. The retail investor desirous of participating in the auction under the Scheme would be required to maintain a depository account with any of the depositories or a gilt account under the constituent subsidiary general ledger (CSGL) account of the Aggregator/Facilitator.

2. Under the Scheme, an investor can make only a single bid in an auction. An undertaking to the effect that the investor is making only a single bid will have to be obtained and kept on record by the Aggregator/Facilitator.

Submission of Bids:

3. Each Aggregator/Facilitator 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. Except in extraordinary circumstances such as general failure of the Reserve Bank of India Core Banking Solution (E-Kuber) system, non-competitive bid in physical form will not be accepted.

Allotment of Bids:

4. Allotment under the non-competitive segment to the Aggregator/Facilitator will be at the weighted average rate of yield/price that will emerge in the auction on the basis of the competitive bidding. The securities will be issued to the Aggregator/Facilitator against payment on the date of issue irrespective of whether they have received payment from their clients.

5. In case the aggregate amount of bid is more than the reserved amount (5% of notified amount), pro rata allotment would be made. In case of partial allotments, it will be the responsibility of the Aggregator/Facilitator to appropriately allocate securities to their clients in a transparent manner.

6. In case the aggregate amount of bids is less than the reserved amount, the shortfall will be taken to competitive portion.

Issue of Security:

7. Security would be issued *only* in SGL form by RBI. The Aggregator/Facilitator has to clearly indicate at the time of tendering the non-competitive bids the amounts (*face value*) to be credited to their main SGL or CSGGL account.

8. Delivery in physical form from the Main SGL account is permissible at the instance of the investor subsequently.

9. It will be the responsibility of the Aggregator/Facilitator to pass on the securities to their clients. Except in extraordinary circumstances, the transfer of securities to the clients should be completed within *five* working days from the date of issue.

Commission/Brokerage charged to Clients

10. The Aggregator/Facilitator can recover upto six paise per Rs.100 as brokerage/commission/service charges for rendering this service to their clients. Such costs may be built into the sale price or recovered separately from the clients.

11. In case, the securities are transferred subsequent to the issue date of the security, the consideration amount payable by the client to the Aggregator/Facilitator will include accrued interest from the date of issue.

12. Modalities for obtaining payment from clients towards cost of the securities, accrued interest, wherever applicable, and brokerage/commission/service charges may be worked out by the Aggregator/Facilitator as per agreement with the client.

13. It may be noted that no other costs, such as funding costs, should be built into the price or recovered from the client.

VIII. Reporting Requirements:

Aggregators/Facilitators will be required to furnish information relating to operations under the Scheme to the Reserve Bank of India (Bank) as may be called for from time to time within the time frame prescribed by the Bank.

IX. The aforesaid guidelines are subject to review by the Bank and accordingly, if and when considered necessary, the Scheme will be modified.