



भारतीय रिज़र्व बैंक  
**RESERVE BANK OF INDIA**  
www.rbi.org.in

**RBI/2012-13/494**

IDMD.PDRD.No. 3089/ 03.64.027 / 2012-13

May 08, 2013

All the Primary Dealers

Dear Sir/Madam,

**Submission of Undertaking: Renewal of Authorisation**

In terms of Para 1.4 of Section I (for standalone PDs) / Para 2.3 of Section II (for Bank-PDs) of the Operational Guidelines to Primary Dealers dated July 02, 2012; the PDs are required to have a standing arrangement with RBI based on the execution of an undertaking in the prescribed format and an authorization letter issued by RBI each year. On a review, it has been decided that PDs will henceforth be required to execute the undertaking once in three years and consequently authorisation will also be renewed for three years. The undertaking executed by the PD will be based on the passing of fresh Board resolution every three years.

2. PDs are advised to submit first such undertaking in the revised format (Annex) for the period 2013-16 (July-June) and at the same periodicity thereafter. It may, however, be noted that RBI reserves the right to suspend or terminate a PD's authorisation, as it may deem fit, in any of the circumstances mentioned under para 17.1 of Master Circular on Operational Guidelines to Primary Dealers dated July 02, 2012.

Yours faithfully

(K K Vohra)  
Principal Chief General Manager

Encl : 2 sheets

**Annex- Format of Undertaking**

To

The Chief General Manager,  
Internal Debt Management Department,  
Reserve Bank of India,  
Central Office Building,  
Mumbai - 400 001.

By

.....  
Registered Office .....  
.....  
.....

WHEREAS the Reserve Bank of India (RBI) has offered in principle to permit us to undertake Primary Dealer (PD) activity in Government securities in accordance with the Guidelines issued thereon from time to time.

AND WHEREAS as a precondition to our being authorized to undertake PD activity, we are required to furnish an undertaking covering the relative terms and conditions.

AND WHEREAS at the duly convened Board of Directors meeting of \_\_\_\_\_ on \_\_\_\_\_, the Board has authorised Shri/Smt./Kum. \_\_\_\_\_ and Shri/Smt./Kum. \_\_\_\_\_ to execute and furnish an UNDERTAKING for the period July ..... to June ..... to the RBI jointly and severally as set out below:

NOW, THEREFORE, in consideration of the RBI agreeing to permit us to undertake PD activity, we hereby undertake and agree:

1. To commit to aggregatively bid in the auction of Treasury Bills (TBs), including Cash Management Bills (CMBs) to the extent of specific per cent of each issue of auction Treasury Bills/Cash Management Bills as decided every year (April-March) and for a minimum amount equal to the underwriting commitment (allotted under Minimum Underwriting Commitment and Additional Competitive Underwriting) for Gol Dated Securities and to maintain the success ratio in aggregate winning bids at not less than 40 per cent for TBs and CMBs or such other percent as may be notified by RBI keeping in view the relevant factors.
2. To offer to underwrite primary issues of Gol dated securities, TBs, CMBs, and State Government securities, for which auction is held, and accept devolvement, if any, of any amount as may be determined by RBI in terms of prevalent scheme for Bidding/Underwriting.
3. a) To determine prudential ceilings, with the prior approval of the Board of Directors (Board) of the company, for reliance on borrowings from the money market including

repos, as a multiple of net owned funds, subject to the guidelines, if any, issued by the RBI in this regard (applicable to standalone PDs only).

b) To adhere to prudential ceilings, with the prior approval of the Board of the bank, subject to the guidelines, if any, issued by the RBI in this regard (applicable to bank-PDs only).

4. To offer firm two-way quotes through NDS / NDS-OM, over the counter telephone market / recognised Stock Exchanges in India and deal in the secondary market in Government dated securities and TBs of varying maturity from time to time and take principal positions.
5. To achieve a sizeable portfolio in Government securities and to actively trade in the Government securities market.
6. To achieve an annual turnover of not less than 5 times in Government dated securities and not less than 10 times in TBs/CMBs of the average of month-end stocks (*in the book separately maintained for the PD business*) subject to the turnover in respect of outright transactions being not less than 3 times in Government dated securities and 6 times in TBs /CMBs or as may be notified by RBI from time to time.
7. To maintain the capital adequacy standards prescribed by the RBI, and to subject ourselves to all prudential and regulatory guidelines as may be issued by the RBI from time to time.
8. To maintain adequate infrastructure in terms of both physical apparatus and skilled manpower for efficient participation in primary issues, trading in the secondary market, and for providing advice and education to investors.
9. To adhere to “Guidelines on Securities Transaction to be followed by PDs” issued vide circular IDMC.No.PDRS/2049-A/03.64.00/99-2000 dated December 31, 1999 and Master Circulars issued from time to time and put in place necessary internal control systems for fair conduct of business and settlement of trades and maintenance of accounts.
10. To comply with all applicable requirements and provisions when dealing in government securities and RBI’s Terms and conditions as in force at any given time and ensure that before undertaking any transaction, all requirements of RBI and of SEBI as may be applicable and which may be laid down from time to time in this behalf, are being complied with, failing which RBI would be at liberty to forthwith cancel the authorisation as a PD and not allow the transaction.

11. To abide by the code of conduct as laid down by RBI/SEBI, the Primary Dealers' Association of India (PDAI) and the Fixed Income, Money Markets and Derivatives Association of India (FIMMDA).
12. To maintain separate books of account for transactions relating to PD business (*distinct from the normal banking business*) with necessary audit trails and to ensure that, at any point of time, there is a minimum balance of Rs.100 crore of Government securities or as may be notified by RBI from time to time earmarked for PD business (applicable to bank-PDs only).
13. To maintain and preserve such information, records, books and documents pertaining to our working as a PD as may be specified by the RBI from time to time.
14. To make available all records, books, information, and documents to the officers deputed by the RBI for inspection/scrutiny and render all necessary assistance to enable RBI to inspect all records, books, information and documents.
15. To maintain at all times a minimum net owned funds of Rs.150 crore / Rs.250 crore or as may be prescribed by RBI from time to time in Government securities and to deploy the liquidity support from the RBI, net borrowings from call money market and net repo borrowings exclusively in Government securities (applicable to standalone PDs only).
16. To maintain an arm's length relationship in transactions with group and related entities.
17. To obtain prior approval of RBI for any change in the shareholding pattern of the company (applicable to standalone PDs only).
18. To submit in prescribed formats periodic reports including daily transactions and market information, monthly report of details of transactions in securities and risk position and performance with regard to participation in auctions, annual audited accounts and an annual performance review and such statements, certificates and other documents and information as may be specified by RBI from time to time.
19. To report the matter immediately to Internal Debt Management Department of the RBI and abide by such orders, instructions, decisions or rulings given by the RBI if and when any kind of investigation/inquiry/inspection is initiated against us by statutory/regulatory authorities, e.g. SEBI/RBI, Stock Exchanges, Enforcement Directorate, Income-tax authorities etc. or if any change takes place regarding our competence to carry out the said activity/deal in securities.
20. To pay an amount of Rupees Five Lakh, or as applicable, to the RBI, for violation of any of the instructions issued by the RBI in the matter or for non-compliance with any of the undertakings given hereinabove.

21. We undertake to comply with all applicable provisions when dealing in government securities and RBI Terms and conditions as in force at any given time.

We do hereby confirm that the above undertakings will be binding on our successors and assigns.

Dated this        day of                      Two Thousand .....

Signed, sealed and delivered by the within named,        )  
being the authorized persons, in terms of the        )  
Resolution No. \_\_\_\_\_ of the Board        )  
at the duly convened Meeting held on \_\_\_\_\_ )  
in the in the presence of \_\_\_\_\_ )

Signatory        (i)  
                              (ii)

Witness        (i)  
                              (ii)

Notes:

1. Para **3.a**, **15** and **17** are applicable to standalone PDs only.
2. Paras **3.b**, words in italics in para **6** and para **12** are applicable to bank-PDs only.