Revised Scheme for Non-competitive Bidding Facility in the Auctions of State Government Securities (Annex – II of the General Notification)

I. Objective

With a view to encouraging wider participation and retail holding of Government securities, it is proposed to allow participation of eligible individuals and institutions on **“non-competitive”** basis in the auctions of State Government securities. Accordingly, non-competitive bids **up to 10 percent** of the notified amount will be accepted in the auctions of State Government securities. The reserved amount will be **within** the notified amount.

II. Eligibility

Participation on a non-competitive basis in the auctions of State Government securities will be open to investors who satisfy the following:

(i) do not maintain current account (CA) *or* Subsidiary General Ledger (SGL) account with the Reserve Bank of India.

Exceptions: Regional Rural Banks (RRBs) and Cooperative Banks shall be covered under this Scheme in view of their statutory obligations.

(ii) make a single bid for an amount not more than **1 per cent** of notified amount (face value) per auction

(iii) submit their bid through any *one* bank or PD offering this scheme.

Exceptions*:* Regional Rural Banks (RRBs) and Cooperative Banks that maintain SGL account and current account with the Reserve Bank of India shall be eligible to submit their non competitive bids directly.

III. Coverage

Subject to the conditions mentioned above, participation on “non-competitive” basis is open to any person including firms, companies, corporate bodies, institutions, provident funds, trusts, and any other entity as may be prescribed by RBI. The minimum amount for bidding will be Rs.10,000 (face value) and thereafter in multiples in Rs.10,000 as hitherto for investment in State Government securities.

IV. Other Operational Guidelines

1. It will *not* be mandatory for the retail investor to maintain a “Gilt Account (under Constituent Subsidiary General Ledger (CSGL facility) with the bank or PD through whom they wish to participate. However, an investor can make only a single bid under this scheme. 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 bank or PD.

2. 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 Negotiated Dealing System (NDS). Except in extraordinary circumstances such as general failure of the NDS system, non-competitive bid in physical form will not be accepted.

3. 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. The securities

will be issued to the bank or PD against payment on the date of issue irrespective of whether the bank or PD has received payment from their clients.

4. In case the aggregate amount of bid is **more than the reserved amount** (i.e., 10 per cent of notified amount), pro rata allotment would be made. In case of partial allotments, it will be the responsibility of the bank or PD to appropriately allocate securities to their clients in a transparent manner.

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

6. Security would be issued *only* in SGL form by RBI. RBI would credit either the main SGL account or the CSGL account of the bank or PD as indicated by them. The facility for affording credit to the main SGL account is for the sole purpose of servicing investors who are not their constituents. Therefore, the bank or PD would have to indicate clearly at the time of tendering the non-competitive bids the amounts (*face value*) to be credited to their SGL account and the CSGL account. Delivery in physical form from the main SGL account is permissible at the instance of the investor subsequently.

7. It will be the responsibility of the bank or the PD to pass on the securities to their clients. Except in extraordinary circumstances, the transfer of securities to the clients shall be completed within *five* working days from the date of issue.

8. The bank or PD can recover up to **six paise per Rs.100 as brokerage/commission/service charges** for rendering this service to their clients. However, such costs may be recovered and accounted for separately from the clients and should not be built into the price. In case the transfer of securities is effected subsequent to the issue date of the security, the consideration amount payable by the client to the bank or PD would also include accrued interest from the date of issue.

9. 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 bank or PD as per agreement with the client. It may be noted that no other costs such as funding costs should be built into the price or recovered from the client.

10. Banks and PDs 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.

V. Review of the Scheme

The aforesaid guidelines are subject to **review by the Bank** and accordingly, if and when considered necessary, the Scheme will be modified in consultation with the State Governments.