

RBI pushes for Retail and Electronic Trading of G-secs

December 15, 2001

The Negotiated Dealing System (NDS) will become operational from January 15, 2002. The system will operationalise, to begin with, by allowing members of Negotiated Dealing System (NDS) to put their bids electronically for repos and reverse repos under the Liquidity Adjustment Facility (LAF). In other words, from this date, the NDS members will not have to put in their bids/ applications in physical form for LAF auctions held daily by the Reserve Bank of India. This was announced at a meeting of heads of treasuries in banks and primary dealers held today. The meeting was held to familiarise the treasury heads of all banks and primary dealers with the non-competitive bidding facility announced recently by the Reserve Bank of India in government securities.

Non-competitive bidding facility in government securities was one of the measures that the Reserve Bank of India had offered recently to help enlarge and diversify the government securities market. Under this scheme, small investors would be able to put in their bids through a bank or a primary dealer without mentioning the cut-off price or yield. They therefore, would not have to worry about their bids being on or off the mark and about getting their bids accepted or rejected. The Reserve Bank of India will reserve up to five per cent of the notified amount in specific auctions of government of India securities for non-competitive bidders. Mid-segment participants, such as, non-banking finance companies, urban cooperative banks, provident funds, etc, are likely to benefit from this scheme.

While addressing the participants, Dr. Y V Reddy, Deputy Governor, Reserve Bank of India stated that India's debt market would have put in place all best international practices and connected technology in a year and a half. NDS and diversification of government of India securities market are two initiatives towards this, he pointed out. The NDS today has eleven members. The Reserve Bank of India has also assured other participants that all the clearances required for membership on NDS will be made available to those who apply earlier so as to enable them to expeditiously become an NDS member. Allowing members connected to NDS to put in their bids electronically is the first step towards moving on to electronic platform for dealings in money and government securities market. Beginning with submission of bids/applications in LAF, NDS will move on to facilitating electronic submission of bids/application by members for primary issuance of government securities. The system of submission of physical SGL transfer form for deals done between members will, on implementation of NDS will ultimately be discontinued. NDS will also provide interface to securities settlement system of public debt office of the Reserve Bank of India. This would facilitate settlement of transactions in government securities including treasury bills, both, outright and repos.

For more details on NDS and the scheme for non-competitive bidding in government securities, please visit the frequently asked questions (FAQs) on the Reserve Bank of India's website (www.rbi.org.in).

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