

35 non-banking entities permitted to undertake ready forward transactions

July 19, 1999

The Government of India has issued a notification permitting 35 non-banking entities, to undertake ready forward transactions in notified government securities with other entities for this purpose. The non-banking entities include primary dealers, dedicated gilt funds, mutual funds, insurance companies and some financial institutions.

It may be recalled that to improve the transmission mechanism of monetary policy and to further develop the money and debt markets in the light of the recommendations made by the Committee on the Financial System (Narasimham Committee), the Monetary and Credit Policy of April 1999 had announced that the repo market would be developed with appropriate regulatory safeguards.

Accordingly, it was decided to allow UTI, LIC and other non-bank participants in the money market which were earlier permitted only reverse repo, to now undertake ready forward transactions, facilitating their access to short term liquidity and better cash management. It was also decided that the mutual funds that have set up dedicated funds for Government securities would also be permitted to undertake ready forward transactions. It was, however, necessary for the government to India to issue a notification permitting non-banking entities to enter the ready forward market.

The Government of India had, therefore, been requested to issue a notification permitting the non-banking entities, as also certain new primary dealers, to take up ready forward transactions in notified Government Securities.

As per the government notification issued on July 14, 1999, the following non-banking entities have been permitted to undertake ready forward transactions in notified government securities:

Canbank Mutual Fund
Export Credit Guarantee Corporation of India Limited
Export Import Bank of India
General Insurance Corporation of India
GIC Mutual Fund
Indian Bank Mutual Fund
Industrial Credit & Investment Corporation of India Limited
Industrial Development Bank of India
IDBI Mutual Fund
ITC Thread Needle Mutual Fund
Life Insurance Corporation of India
National Bank for Agriculture and Rural Development
National Housing Bank
New India Assurance Company Limited

Oriental Insurance Company Limited
Reliance Capital Mutual Fund
SBI Mutual Fund
Small Industries Development Bank of India
Unit Trust of India
LIC Mutual Fund
J.M.Mutual Fund
Birla Mutual Fund
Kothari Pioneer Mutual Fund
Jardine Fleming Mutual Fund
Kotak Mahindra Mutual Fund
JP Morgan Securities India Private Limited
ABN AMRO Securities (India) Pvt. Limited
Deutsche Securities (India) Private Limited
Industrial Investment Bank of India Limited
Bank of India Mutual Fund
Sun F & C Mutual Fund
Prudential ICICI Mutual Fund
Housing Development Finance Corporation Limited
Stock Holding Corporation of India Limited
SICOM Limited

The entities can take up ready forward transactions provided:

- (a) Ready forward deals are undertaken only at Mumbai in Treasury Bills of all maturities issued by the Government of India and in such dated securities of Government of India as are approved by the Reserve Bank of India in consultation with the Central Government.
- (b) Such transactions are put through Subsidiary General Ledger (SGL) Accounts with Reserve Bank of India, Mumbai.

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