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RESERVE BANK OF INDIA
www.rbi.org.in

RBI/2016-17/29
Master Direction IDMD.PDRD.01/03.64.00/2016-17 July 1, 2016

All Primary Dealers

Dear Sir / Madam

Master Direction – Operational Guidelines for Primary Dealers

The Reserve Bank of India has, from time to time, issued a number of guidelines/instructions to the Primary Dealers (PDs) with respect to their operations. The Master Direction enclosed incorporates the updated guidelines/instructions/circulars on the subject. A list of circulars finding reference in this Master Direction is enclosed in Annex-XIII and XIV. The Direction will be updated from time to time as and when fresh instructions are issued. This Master Direction has been placed on RBI website at www.rbi.org.in.

2. The banks undertaking PD activities departmentally should follow the extant guidelines applicable to the banks on capital adequacy requirements and risk management.

Yours faithfully

Sd/-

(A. Mangalagiri)
Chief General Manager

Encl: As above

Table of Contents

Section I: Regulations governing Primary Dealers

Section II: Additional Guidelines applicable to banks undertaking PD business departmentally

Annexes

Section I – Regulations governing Primary Dealers

1. Primary Dealer System

1.1 Introduction

In 1995, the Reserve Bank of India (RBI) introduced the system of Primary Dealers (PDs) in the Government Securities (G-Sec) Market. The objectives of the PD system are to strengthen the infrastructure in G-Sec market, development of underwriting and market making capabilities for G-Sec, improve secondary market trading system and to make PDs an effective conduit for open market operations (OMO). As on June 30, 2015, there are seven standalone PDs and thirteen banks authorized to undertake PD business departmentally.

1.2 Eligibility conditions

1.2.1 The eligibility criteria for an entity to apply to the Reserve Bank of India for undertaking the activities of a PD are as under:

Eligible Institutions	Eligibility conditions
a. Subsidiary of scheduled commercial bank/s and All India Financial Institutions b. Subsidiaries/ joint ventures set up in India by entities incorporated abroad. c. Company incorporated under the Companies Act, 1956 and does not fall under (a) or (b).	• Should be registered as an NBFC under Section 45-IA of the RBI Act, 1934 for <u>at least one year</u> prior to the submission of application. • Should have minimum net owned funds (NOF)[1] of Rs.150 crore for undertaking core activities and Rs.250 crore for undertaking diversified activities (as defined in para 5). Before commencing PD business, applicant entity has to submit an external auditor's certificate to this effect. • Should have exposure in the securities business and in particular to the G-Sec market for at least one year prior to the submission of application. Exposure for this purpose would be as under: i. Applicant's turnover in the G-Sec business during the year preceding the year of application for PD authorisation should be at least equal to 15 per cent of its total turnover. ii. Its assets in G-Sec during the year preceding the year of application should be at least equal to 15 per cent of its total assets. • Applicant entity should submit an annual target along with plan of action for turnover to be achieved on behalf of mid-segment (Provident Funds, Urban Cooperative banks, Regional Rural banks, Trusts, etc.) and retail (individual) investors at the time of submission of their application for PD authorisation. The annual minimum target will be same as applicable to existing PDs from time to time as mentioned in para 1.2.6 of this circular. Previous experience in servicing retail and mid- segment customers in G-Sec will be viewed

[1] In terms of the explanatory note to Section 45-IA of Chapter III-B of the RBI Act, 1934, NOF is calculated as (a) the aggregate of the paid-up equity capital and free reserves as disclosed in the latest balance-sheet of the company after deducting there from– (i) accumulated balance of loss; (ii) deferred revenue expenditure; and (iii) other intangible assets; and (b) further reduced by the amounts representing – (1) investments of such company in shares of – (i) its subsidiaries; (ii) companies in the same group; (iii) all other non-banking financial companies; and (2) the book value of debentures, bonds, outstanding loans and advances (including hire-purchase and lease finance) made to, and deposits with,– (i) subsidiaries of such company; and (ii) companies in the same group, to the extent such amount exceeds ten per cent of (a) above.

	favourably while processing the application for PD authorisation. • In case of subsidiaries/joint ventures set up by entities incorporated abroad, in addition to conditions given above, the following may be adhered to: i. The applicant should have approval of Foreign Investment Promotion Board. ii. The parent foreign company directly or through its subsidiaries should have been in PD business for three years or more in active markets. iii. Such entity should suitably ring fence its system from its parent and associates
Banks which do not have a partly or wholly owned subsidiary undertaking PD business and intending to undertake PD business departmentally	• Minimum net owned funds (NOF) of Rs. 1,000 crore. • Minimum Capital to Risk Weighted Assets Ratio (CRAR) of 9 per cent. • Net non-performing assets of less than 3 per cent and a profit making record for last three years. • The applicant bank should have approval of Department of Banking Regulation, Central Office, Reserve Bank of India, Mumbai. • Applicant bank should submit an annual target along with plan of action for turnover to be achieved on behalf of mid-segment and retail investors at the time of submission of their application for PD authorisation. The annual minimum target will be same as applicable to existing PDs from time to time as mentioned in para 1.2.6 of this circular. Previous experience in servicing mid-segment and retail customers in G-Secs will be viewed favourably while processing the application for PD authorisation.

1.2.2 An applicant will not be eligible for authorisation as a PD if, within the last one year, it has been subject to litigation or regulatory action or investigation that the Reserve Bank considers material or otherwise relevant to the business of PD. In making such determination, RBI may consult with the appropriate regulators for their views.

1.2.3 An entity satisfying the criteria stipulated above should submit its application to the Chief General Manager, Internal Debt Management Department (IDMD), RBI, Mumbai. The RBI will, if satisfied, grant 'in principle approval'. The applicant will, thereafter, submit an undertaking in respect of the terms and conditions agreed to as per the prescribed format given in Annex I. Based on the application and undertaking, an authorisation letter will be issued by RBI. Continuation as a PD would depend on its compliance with the terms and conditions of authorisation.

1.2.4 The decision to authorise PDs will be taken by RBI based on its perception of market needs, suitability of the applicant and the likely value addition to the system.

1.2.5 The applicant entity may also have to adhere to other terms and conditions, as may be specified by RBI from time-to-time.

1.2.6 Existing PDs should submit an annual target (in consultation with RBI) along with plan of action for turnover to be achieved on behalf of mid-segment and retail investors in the month of June every year. The annual target for July 2016-June 2017 should not be less than 150 per cent of minimum NOF for standalone PDs and 100 per cent of minimum NOF for bank PDs. The target will be reviewed annually.

1.2.7 PDs are **not** permitted to set up step-down subsidiaries.

1.3 Role and obligations of the PDs

PDs are expected to play an active role in the G-Sec market, both in its primary and secondary market segments through various obligations like participating in Primary auction, market making in G-Secs, predominance of investment in G-Secs, achieving minimum secondary market turnover ratio, maintaining efficient internal control system for fair conduct of business etc. A PD is required to have a standing arrangement with RBI based on the execution of an undertaking (**Annex I**) and the authorization letter issued by RBI every three years. Undertaking will be based on passing of a fresh Board resolution by the PD every three years.

1.4 Facilities from RBI

The RBI currently extends the following facilities to the PDs to enable them to fulfill their obligations effectively:

i. access to Current Account facility with RBI;
ii. access to Subsidiary General Ledger (SGL) Account facility with RBI;
iii. access to e-Kuber facility for primary auction;
iv. permission to borrow and lend in the money market including call money market and to trade in all money market instruments;
v. memberships of electronic dealing, trading and settlement systems (NDS platforms/INFINET/RTGS/CCIL);
vi. access to the Liquidity Adjustment Facility (LAF) of RBI;
vii. access to liquidity support from RBI under a scheme separately notified for standalone PDs; and
viii. access to OMO by RBI.

The facilities are subject to review.

1.5 Regulation and Supervision by RBI

Operations of the PDs are subject to prudential and regulatory guidelines issued by RBI from time to time.

1.5.1 Returns: As part of off-site supervision, PDs are required to submit prescribed periodic returns to RBI as per **Annex II–A & B**. RBI may also prescribe any other return as it may deem necessary.

1.5.2 On-Site Supervision: RBI will have the right to inspect the books, records, documents and accounts of a PD. PDs are required to make available all such documents, records, etc. to the RBI officers and render all necessary assistance as and when required.

1.5.4 In addition, PDs are required to meet registration and such other requirements as stipulated by the Securities and Exchange Board of India (SEBI) including operations on the Stock Exchanges, if they undertake any activity regulated by SEBI.

1.5.5 A PD should bring to the attention of RBI any major complaint against it or action initiated/taken against it by authorities such as the Stock Exchanges, SEBI, CBI, Enforcement Directorate, Income Tax Department, etc.

1.5.6 PDs are expected to join Primary Dealers Association of India (PDAI) and Fixed Income Money Market and Derivatives Association (FIMMDA) and abide by the code of conduct framed by them and such other actions as initiated by them in the interest of the securities markets.

2. Primary Market Activities

PDs are expected to support the primary issues of dated securities of Central Government and State Government, T-Bills and CMBs through underwriting/bidding commitments. The related guidelines are as under:

2.1 Underwriting of Dated G-Sec

2.1.1 Dated securities of Central Government

i. The underwriting commitment on dated securities of Central Government will be divided into two parts - a) Minimum Underwriting Commitment (MUC), and b) Additional Competitive Underwriting (ACU).

ii. The MUC of each PD will be computed to ensure that at least 50 percent of the notified amount of each issue is mandatorily underwritten equally by all the PDs. The share under MUC will be uniform for all PDs, irrespective of their capital or balance sheet size. The remaining portion of the notified amount will be underwritten through an ACU auction.

iii. RBI will announce the MUC of each PD. In the ACU auction, each PD would be required to bid for an amount <u>at least</u> equal to its share of MUC. A PD cannot bid for more than 30 per cent of the notified amount in the ACU auction.

iv. The auction could be either uniform price-based or multiple price-based depending upon the market conditions and other relevant factors, which will be announced before the underwriting auction for each issue.

v. Bids will be tendered by the PDs within the stipulated time, indicating both the amount of the underwriting commitment and underwriting commission rates. A PD can submit multiple bids for underwriting. Depending upon the bids submitted for underwriting, RBI will decide the cut-off rate of commission and inform the PDs.

vi. **Underwriting commission**: All successful bidders in the ACU auction will be paid underwriting commission on the ACU segment as per the auction rules. Those PDs who succeed in the ACU for 4 per cent and above of the notified amount of the issue, will be paid commission on the MUC at the weighted average of all the accepted bids in the ACU.

Others will get commission on the MUC at the weighted average rate of the three lowest accepted bids in the ACU.

vii. In the GOI securities auction, a PD should bid for an amount not less than its total underwriting obligation. If two or more issues are floated on the same day, the minimum bid amount will be applied to each issue separately.

viii. Underwriting commission will be paid on the amount accepted for underwriting by the RBI, irrespective of the actual amount of devolvement, by credit to the current account of the respective PDs at the RBI, Fort, Mumbai, on the date of issue of security.

ix. In case of devolvement, PDs would be allowed to set-off the accepted bids in the auction against their shortfall in underwriting commitment accepted by the RBI. Devolvement of securities, if any, on PDs will take place on pro-rata basis, depending upon the amount of underwriting obligation of each PD after setting off the successful bids in the auction.

x. RBI reserves the right to accept any amount of underwriting up to 100 per cent of the notified amount or even reject all the bids tendered by PDs for underwriting, without assigning any reason.

xi. An illustration on underwriting procedure is given in **Annex III.**

2.1.2 Dated securities of State Governments

i. On announcement of an auction of State Development Loans (SDLs), which are dated securities of the State Governments, RBI may invite PDs to collectively bid to underwrite up to 100 per cent of the notified amount.

ii. The auction could be either uniform price-based or multiple price-based depending upon the market conditions and other relevant factors, which will be announced before the underwriting auction for each issue.

iii. A PD can bid to underwrite up to 30 per cent of the notified amount of the issue. If two or more issues are floated on the same day, the limit of 30% is applied by taking the notified amounts separately.

iv. Bids will be tendered by PDs within the stipulated time, indicating both the amount of the underwriting commitments and underwriting commission rates. A PD can submit multiple bids for underwriting.

v. Depending upon the bids submitted for underwriting, the RBI will decide the cut-off rate of commission and the underwriting amount up to which bids would be accepted and inform the PDs.

vi. RBI reserves the right to accept any amount of underwriting up to 100 per cent of the notified amount or even reject all the bids tendered by PDs for underwriting, without assigning any reason.

vii. In case of devolvement, PDs would be allowed to set-off the accepted bids in the auction against their shortfall in underwriting commitment accepted by the RBI. Devolvement of securities, if any, on PDs will take place on pro-rata basis, depending upon the amount of underwriting obligation of each PD after setting off the successful bids in the auction.

viii. Underwriting commission will be paid on the amount accepted for underwriting by the RBI, irrespective of the actual amount of devolvement, by credit to the current account of the respective PDs at the RBI, Fort, Mumbai, on the date of issue of security.

2.2 Bidding in Primary auctions of T-Bills/CMBs

i. Each PD will individually commit, at the beginning of the year (April – March), to submit bids for a fixed percentage of the notified amount of T-Bills/CMBs in each auction.

ii. The minimum bidding commitment amount / percentage for each PD will be determined by the RBI, in consultation with the PD. While finalizing the bidding commitments, the RBI will take into account the NOF, the offer made by the PD, its track record and its past adherence to the prescribed success ratio. The amount/percentage of minimum bidding commitment so determined by the RBI will remain unchanged for the entire year or till execution of the undertaking for the next year.

iii. In any auction of T-Bills/CMBs, if a PD fails to submit the required minimum bid or submits a bid lower than its commitment, the RBI may take appropriate penal action against the PD.

iv. A PD would be required to achieve a minimum success ratio of 40 percent of bidding commitment in T-Bills/CMBs auctions (if an auction gets cancelled or if all bids are rejected by RBI then PD should not take that auction's notified amount in the calculation of success ratio. Also, if RBI accepts partial amount, PD should take only accepted amount for calculation purpose) which will be monitored on a half yearly basis, i.e. April to September and October to March, separately (For illustrations please refer to **Annex IV**).

v. The CMB transactions may be reported in PDR returns along with the T-Bill transactions.

2.3 'When-Issued' transactions in Central G-Sec

PDs shall adhere to the guidelines issued by the RBI vide circular IDMD.No/3426/11.01.01 (D)/2005-06 dated May 3, 2006, as updated vide circulars IDMD.No/2130/11/01.01 (D)/2006-07 dated November 16, 2006, IDMD.DOD.No.3166/11/01.01(B)/2007-08 dated January 1, 2008 and FMRD.DIRD.06/14.03.07/2015-16 dated December 10, 2015 for undertaking "When Issued" transactions.

2.4 Submission of client bids in the primary auctions

The PDs are allowed to submit bids of their SGL/Gilt account holders in the primary auctions as their own bids under competitive route after putting in place the following safeguards:

i. PDs should have a Board approved policy including appropriate risk management system to take care of risks arising out of such activity

ii. List of clients, details of business done through such clients and appropriateness of risk management system put in place may be periodically reviewed by the Board.

iii. Records maintained in this regard should be subjected to concurrent audit.

PDs may execute the secondary market sale transaction and report the same on NDS-OM (T+1 settlement). With respect to the dated securities, the sale transaction may be made within one hour of intimation of firm allotment in the primary auctions.

2.5 Submission of non-competitive bids

PDs shall adhere to the guidelines issued vide circular RBI/2008-09/479 - IDMD.No.5877/ 08.02.33/2008-09 dated May 22, 2009, as amended from time to time, in respect of submission of non-competitive bids in the auctions of the G-Sec.

2.6 Sale of securities allotted in primary issues on the same day

PDs shall adhere to the guidelines issued vide circulars IDMC.PDRS.No.PDS.1/03.64.00/ 2000-01 dated October 6, 2000, RBI/2005/461–IDMD.PDRS.4777/10.02.01/2004-05 dated May 11, 2005 and RBI/2012-13/133-IDMD.PDRD.188/03.64.00/2012-13 dated July 16, 2012 for undertaking sale of securities allotted in primary issues on the same day. PDs can avail services of brokers for carrying out such sale contracts.

2.7 Settlement of primary auctions

The primary auction settlement is independent from the secondary market settlements and therefore has to be funded separately. Successful PDs shall provide sufficient funds in their current account with the RBI on the auction settlement days before 3:00 pm to meet their obligations against the subscriptions in the primary auctions failing which the shortage will be treated as an instance of 'SGL bouncing' and will be subjected to the applicable penal provisions.

3. Secondary Market activities

3.1 Market making in G-Sec: PDs should offer two-way prices in G-Sec through the Negotiated Dealing System-Order Matching (NDS-OM), over-the-counter (OTC) market and recognized Stock Exchanges in India and take principal positions in the secondary market for G-Sec.

3.2 Turnover ratio: A PD should annually achieve a minimum turnover ratio of 5 times for Government dated securities and 10 times for T-Bills/CMBs of the average month-end stocks. The turnover ratio in respect of outright transactions should not be less than 3 times in Government dated securities and 6 times in T-Bills/CMBs (Turnover ratio is the ratio of total purchase and sales during the year in the secondary market to average month-end stocks).

3.3 Secondary Market Transactions - Short-selling

PDs shall adhere to the guidelines issued by the RBI vide circular IDMD.No 03/11.01.01(B)/2005-06 dated February 28, 2006, RBI/2006-07/243-IDMD.No./11.01.01(B)/2006-07 dated January 31, 2007, IDMD.DOD.No.3165 /11.01.01(B)/

2007-08 dated January 2008, IDMD.PCD. 14/14.03.07/2011-12 dated December 28, 2011, RBI/2011-12/615IDMD.PCD.No.21/14.03.07/2011-12 dated June 21, 2012, IDMD.PCD.06/14.03.07/2014-15 dated September 30, 2014, FMRD.DIRD.02/14.03.007/2014-15 dated December 24, 2014 and FMRD.DIRD.5/14.03.007/2015-16 dated October 29, 2015 on "Secondary market transactions in Government Securities - Short Selling" as amended from time to time.

3.4 Separate Trading of Registered Interest and Principal of Securities (STRIPS) in G-Sec

PDs shall adhere to the guidelines issued by the RBI vide circular RBI/2009-10/360-IDMD.DOD.No.7/11.01.09 /2009-10 dated March 25, 2010, on STRIPS in G-Sec, as amended from time to time.

3.5 Settlement of Secondary Market transaction

As per circular IDMD.PDRS./4783/10.02.01/2004-05 dated May 11, 2005 all outright secondary market transactions in Government Securities are settled on T+1 basis except for outright secondary market transactions undertaken with respect to FPIs and reported on NDS-OM, which will be settled on T+2 basis subject to conditions mentioned in circular FMRD.DIRD.06/14.03.007/2014-15 dated March 20, 2015, as amended from time to time.

4 Liquidity Support from RBI

In addition to access to the RBI's LAF, standalone PDs are also provided with liquidity support by the RBI against eligible G-Sec including SDLs. The parameters based on which liquidity support will be allocated are given below:

i. Of the total liquidity support, half of the amount will be divided equally among all the standalone PDs. The remaining half (i.e. 50%) will be divided in the ratio of 1:1 based on market performance in primary market and secondary market. Performance in primary market will be computed on the basis of bids accepted in the T-Bill/CMB auctions and G-Sec auctions in the proportionate weights of 1 and 3. Similarly, the secondary market performance will be judged on the basis of outright turnover in T-Bills/CMBs and G-Sec in the proportionate weights of 1 and 3.

ii. The PD-wise limit of liquidity support will be revised every half-year (April-September and October-March) based on the market performance of the PDs in the preceding six months.

iii. The liquidity support will be made available at the 'Repo Rate' announced by the RBI.

iv. The liquidity support availed by a PD will be repayable within a period of 90 days. If it is repaid after 90 days, the penal rate of interest payable by PDs is Bank rate plus 5 percentage points for the period beyond 90 days.

5. Investment Guidelines

5.1 Investment policy - PDs should frame and implement, a Board approved, investment policy and operational guidelines on securities transactions. The policy should contain the broad objectives to be followed while undertaking transactions in securities on their own account and on behalf of clients, clearly define the authority to put through deals, and lay down procedure to be followed while putting through deals, various prudential exposure limits, policy regarding dealings through brokers, systems for management of various risks, guidelines for valuation of the portfolio and the reporting systems etc. Operational procedures and controls in relation to the day-to-day business operations should also be worked out and put in place to ensure that operations in securities are conducted in accordance with sound and acceptable business practices. While laying down these guidelines, the PDs should strictly adhere to RBI's instructions, issued from time to time. The effectiveness of the policy and operational guidelines should be periodically evaluated.

5.2 The investment in G-Sec should have predominance over the non-core activities in terms of investment pattern. Standalone PDs are required to ensure predominance by maintaining at least 50 per cent of their total financial investments (both long term and short term) in G-Sec at any point of time. Investment in G-Sec will include the PD's Own Stock, Stock with RBI under Liquidity Support / Intra-day Liquidity (IDL)/ LAF, Stock with market for repo borrowings and G-Sec pledged with the CCIL.

5.3 Further, a PD's investment in G-Sec (including T-Bills and CMBs) and Corporate Bond (to the extent of 50% of NOF) on a daily basis should be at least equal to its net call/notice/repo (including CBLO) borrowing plus net RBI borrowing (through LAF/ Intra-Day Liquidity/ Liquidity Support) plus the minimum prescribed NOF.

5.4 PDs should necessarily hold their investments in G-Sec portfolio in SGL with RBI. They may also have a dematerialised (Demat) account with depositories – National Securities Depository Limited / Central Depository Services (India) Limited. All purchase/sale transactions in G-Secs by PDs should be through SGL / Constituent SGL (CSGL) / Demat accounts.

5.5 PDs should hold all other investments such as CPs, bonds and debentures (privately placed or otherwise) and equity instruments, only in demat form.

5.6 All problem exposures, which are not backed by any security or backed by security of doubtful value, should be fully provided for. Where a PD has filed suit against another party for recovery, such exposures should be evaluated and provisions made to the satisfaction of auditors. Any claim against the PD should also be taken note of and provisions made to the satisfaction of auditors.

5.7 The profit and loss account should reflect the problem exposures if any, and also the effect of valuation of portfolio, as per the instructions issued by the RBI, from time to time. The report of the statutory auditors should contain a certification to this effect.

5.8 HTM Portfolio

5.8.1 Standalone PDs are allowed to categorize a portion of their G-Sec portfolio in the HTM category, subject to the following conditions:

i. The transfer of securities (both Central Government and State Government) to/from HTM portfolio shall be done as per the policy formulated by the Board. Such transfers shall be permitted only once in a quarter.

ii. Transfer of securities to/from HTM portfolio should be done with the approval of the Board at the acquisition cost/ book value/ market value on the date of transfer, whichever is the least, and the depreciation, if any, on such transfer shall be fully provided for. PDs are allowed to shift investments to/from HTM portfolio with the approval of the MD of the PD/Head of ALCO, only in case of exigencies. However, it should be ratified by the Board.

iii. Only securities acquired by the PD under primary auction will be eligible for classification under HTM category.

iv. The quantum of securities that can be classified as HTM shall be restricted to 100% of the audited NOF of the PD as at the end March of the preceding financial year.

v. The profit on sale of securities, if any, from the HTM category shall first be taken to the P & L Account and thereafter be appropriated to the “Reserve Account”; loss on sale shall be recognized in the P & L Account.

vi. Investments classified under HTM will be carried at acquisition cost, unless it is more than the face value, in which case the premium should be amortized over the remaining period to maturity. The book value of the security should continue to be reduced to the extent of the amount amortized during the relevant accounting period.

vii. The concurrent auditors should specifically verify compliance with these instructions.

viii. The facility shall be available until further advice.

5.8.2 Banks undertaking PD activities departmentally may continue to follow the extant guidelines applicable to banks with regard to the classification and valuation of the investment portfolio issued by Department of Banking Regulation (DBR), RBI.

6 Systems/Controls

6.1 PDs shall have an efficient internal control system for fair conduct of business, settlement of trades and maintenance of accounts.

i. PDs should maintain adequate physical infrastructure and skilled manpower for efficient participation in primary issues, trading in the secondary market, and to advise and educate investors.

ii. In respect of transactions in G-Sec, a PD should have a separate desk and maintain separate accounts in respect of its own position and customer transactions and subject them to external audit also.

iii. All the transactions put through by the PD either on outright basis or ready forward basis should be reflected on the same day in its books and records i.e. preparation of deal slip, contract note, confirmation of the counter party, recording of the transaction in the purchase/sale registers, etc.

iv. For every transaction entered into, the trading desk should generate a deal slip which should contain data relating to nature of the deal, name of the counterparty, whether it is a direct deal or through a broker, and if through a broker, name of the broker, details of security, amount, price, contract date and time and settlement date. The deal slips should be serially numbered and controlled separately to ensure that each deal slip has been properly accounted for. Once the deal is concluded, the deal slip should be immediately passed on to the back office for recording and processing. For each deal, there must be a system of issue of confirmation to the counter-party. In view of the reporting and confirmation of OTC trades on Negotiated Dealing System (NDS) and guaranteed settlement through CCIL, the requirement to exchange written confirmation for OTC trades in G-Sec has been dispensed with. With respect to transactions matched on the NDS-OM module, separate counterparty confirmation of deals is not required.

v. Once a deal has been concluded, there should not be any substitution of the counter-party by the broker. Similarly, the security sold/purchased in a deal should not be substituted by another security under any circumstances.

vi. On the basis of vouchers passed by the back office (which should be done after verification of actual contract notes received from the broker/counter-party and confirmation of the deal by the counter party), the books of account should be independently prepared.

vii. PDs should periodically review securities transactions and report to the top management, the details of transactions in securities, details of funds/securities delivery failures, even in cases where shortages have been met by CCIL.

viii. All security transactions (including transactions on account of clients) should be subjected to concurrent audit by internal/external auditors to the extent of 100% and the results of the audit should be placed before the CEO/MD of the PD once every month. The compliance should be monitored on ongoing basis and reported directly to the top management. The concurrent audit should also cover the business done through brokers and include the findings in their report.

ix. The scope of concurrent audit should include monitoring of broker wise limits, prudential limits laid down by RBI, accuracy and timely submission of all regulatory returns, reconciliation of SGL/CSGL balances with PDO statements, reconciliation of current account balance with DAD statements, settlements through CCIL, stipulations with respect to short sale deals, when-issued transactions, constituent deals, money market deals, adherence to accounting standards, verification of deal slips, reasons for cancellation of deals, if any, transactions with related parties on ‘arm’s length basis’, provisions related to HTM portfolio etc.

x. PDs should have a system of internal audit focused on monitoring the efficacy and adequacy of internal control systems.

xi. With the approval of their Board, PDs should put in place appropriate exposure limits / dealing limits, for each of their counterparties which cover all dealings with such counter parties including money market, repos and outright securities transactions. These limits should be reviewed periodically on the basis of financial statements, market reports, ratings, etc. and exposures taken only on a fully collateralized basis where there is slippage in the rating/assessment of any counterparty.

xii. With the approval of their Boards, PDs should put in place reasonable leverage ratio for their operations, which should take into account all outside borrowings as a multiplier of their NOF.

xiii. There should be a clear functional separation of (i) trading (front office); (ii) risk management (mid office); and (iii) settlement, accounting and reconciliation (back office). Similarly, there should be a separation of transactions relating to own account and constituents’ accounts.

xiv. PDs should have an Audit Committee of the Board (ACB) which should meet at least at quarterly intervals. The ACB should peruse the findings of the various audits and should ensure efficacy and adequacy of the audit function.

6.2 Purchase/Sale of securities through SGL transfer forms

All PDs should report / conclude their transactions on NDS / NDS-OM and clear/settle them through CCIL as central counter-party. In such cases where exceptions have been permitted to tender physical SGL transfer forms, the following guidelines should be followed:

i. Records of all SGL transfer forms issued/received should be maintained and a system for verification of the authenticity of the SGL transfer forms received from the counter-party and confirmation of authorized signatories should be put in place.

ii. Under no circumstances, a SGL transfer form issued by a PD in favour of counterparty should bounce for want of sufficient balance in the SGL/Current Account. Any instance of return of SGL form from the Public Debt Office (PDO) of the RBI for want of sufficient balance in the account should be immediately brought to the notice of the PD’s top management and reported to RBI with the details of transactions.

iii. SGL Transfer forms received by purchasing PDs should be deposited in their SGL Accounts immediately. No sale should be effected by way of return of SGL form held by the PD.

iv. SGL transfer form should be in a standard format, prescribed by the RBI, and printed on semi-security paper of uniform size. They should be serially numbered and there should be a control system in place to account for each SGL form.

6.3 Bank Receipt or similar receipt should not be issued or accepted by the PDs under any circumstances in respect of transactions in G-Sec.

6.4 Reconciliation of holdings of G-Sec

Balances as per books of PDs should be reconciled at least at monthly intervals with the balances in the books of PDOs. If the number of transactions so warrant, the reconciliation should be undertaken at more frequent intervals. This reconciliation should be periodically verified during concurrent/internal audit of the PDs.

6.5 Transactions on behalf of Constituents

i. The PDs should undertake all due diligence while acting as agent of their clients for carrying out transactions in securities.
ii. PDs should not use the constituents' funds or assets for proprietary trading or for financing of another intermediary's operations.
iii. All transaction records should give a clear indication that the transaction belongs to constituent and does not belong to PD's own account.
iv. The transactions on behalf of constituents and the operations in the CSGL accounts should be conducted in accordance with the guidelines issued by RBI on the CSGL accounts.
v. PDs who act as custodians (i.e. CSGL account holders) and offer the facility of maintaining gilt accounts to their constituents, should not permit settlement of any sale transaction by their constituents unless the security sold is actually held in the gilt account of the constituent.
vi. Indirect access to NDS-OM has been permitted to certain segments of investors through banks and PDs vide circular IDMD.DOD.No.5893/10.25.66/2007-08 dated May 27, 2008. PDs should adhere to the guidelines on maintenance of gilt accounts and investments on behalf of gilt account holders while undertaking 'constituent deals' on NDS-OM.

6.6 Failure to complete delivery of security/funds in an SGL transaction

Any default in delivery of security/funds in an SGL sale /purchase transaction undertaken by a PD will be viewed seriously. A report on such transaction, even if completed through the securities/funds shortage handling procedure of CCIL, must be submitted to the IDMD, RBI immediately. In terms of circular RBI/2010-11/115-IDMD.DOD.17/11.01.01(B)/2010-11 dated July 14, 2010, for any default in delivery of security / funds in a SGL sale / purchase transaction undertaken by a PD (event of bouncing of SGL transfer forms) and the failure of the PD to offer satisfactory explanation for such bouncing of SGL, the PD shall be liable to pay penalties as per the circular ibid.

7. Violation/Circumvention of Instructions

Any violation/circumvention of the above guidelines or the terms and conditions of the undertaking executed by a PD with RBI (**Annex I**) would be viewed seriously and such violation would attract penal action including the withdrawal of liquidity support, denial of access to the money market, withdrawal of authorization for carrying on the business as a PD, and/or imposition of monetary penalty or liquidated damages, as the RBI may deem fit.

8. Disclosure of Penal Actions

8.1 In order to maintain transparency with regard to imposition of penalties and in conformity with the best practices on disclosure of penalties imposed by the regulator, the details of the penalty levied on a PD shall be placed in the public domain.

8.2 The mode of disclosures of penalties, imposed by RBI will be as follows:

i. A Press Release will be issued by the RBI, giving details of the circumstances under which the penalty is imposed on the PD along with the communication on the imposition of penalty in public domain.
ii. The penalty shall also be disclosed in the 'Notes on Accounts' to the Balance Sheet of the PD in its next Annual Report.

9. Exit / Termination procedure:

9.1 RBI may suspend or terminate a PD, as it may deem fit, in the following circumstances:

i. Violation/circumvention of the regulatory guidelines or the terms and conditions of the undertaking executed by a PD with the RBI.
ii. Failure to meet the performance criteria and capital standards on an ongoing basis.
iii. Repeatedly providing bids and offers in the primary and/or secondary market that are not reasonably competitive.
iv. RBI is of the view that the PD has attempted to manipulate the market; involved in market abuse; made an incorrect representation or certification; failed to provide information required under the extant guidelines, or provided information that was incorrect, inaccurate, or incomplete.
v. If it appears, in the Reserve Bank’s judgment that the PD has an inadequate or weak control environment.
vi. If a PD becomes the subject of, or involved with, regulatory or legal proceedings that, in the judgment of the Reserve Bank, unfavorably impacts the PD business.
vii. PD intends to surrender PD authorisation on its own. In such a case, the PD should discuss the orderly unwinding of any positions held, agree the timing and date of

termination of PD operations, and the content of any announcements to be made to the market, by the Reserve Bank. In the interests of discouraging ‘fair-weather’ trading and ensure that a PD is available in the market even when the market condition is not favourable, the Reserve Bank will not approve an application from the same firm for a fresh PD authorisation for some considerable period of time.

9.2 RBI will notify the PD of its intention to impose a sanction, and will provide the PD with an opportunity to submit its view, before taking a final decision.

9.3 RBI will ensure that a PD’s exit is carried out in a way that does not cause undue disruptions to other market participants.

9.4 Such suspension or termination will be made public by RBI through press release. An announcement in this regard shall be made preferably on the last working day of the week, with the sanction effective from the close of business on the same day.

10. List of circulars consolidated and list of circulars referred are enclosed at Annex X and XI respectively.

Section II: Additional Guidelines applicable to banks undertaking PD business departmentally

1. Introduction

Scheduled commercial banks (except Regional Rural Banks) have been permitted to undertake PD business departmentally from 2006-07.

2. Procedure for Authorization of bank-PDs

2.1 Banks eligible to apply for undertaking PD business, [please see eligibility conditions at paragraph 1.2.1 of Section I above] may approach the Chief General Manager, IDMD, RBI, 23rd Floor, Central Office Building, Fort, Mumbai - 400 001 for an authorization for undertaking PD business departmentally.

2.2 The banks, proposing to undertake the PD business by merging / taking over PD business from their partly / wholly owned subsidiary, or foreign banks, operating in India, proposing to undertake PD business departmentally by merging the PD business being undertaken by a group company, will be subject to the terms and conditions, as applicable, of the undertaking given by such subsidiary/ group company till such time a fresh undertaking is executed by the bank.

2.3 The banks authorized to undertake PD business will be required to have a standing arrangement with RBI based on the execution of an undertaking **(Annex I)** and the authorization letter issued by RBI every three years (July-June). Undertaking will be based on passing of a fresh Board resolution by the PD every three years.

3. Applicability of guidelines issued for PDs

3.1 The bank-PDs would be governed by the operational guidelines as given in Section – I above, to the extent applicable, unless otherwise stated. Furthermore, the bank-PDs' role and obligations in terms of supporting the primary market auctions for issue of dated G-Sec and T-Bills/CMBs, underwriting of dated G-Sec, market-making in G-Sec and secondary market turnover in G-Sec will also be at par with those applicable to standalone PDs as enumerated in Section - I of this Master Direction.

3.2 Bank-PDs are expected to join PDAI and FIMMDA and abide by the code of conduct framed by them and such other actions initiated by them in the interest of the securities market.

3.3 The requirement of ensuring minimum investment in G-Sec and T-Bills on a daily basis, based on net call / RBI borrowing and NOF will not be applicable to bank-PDs who shall be guided by the extant guidelines applicable to banks.

3.4 As banks have access to the call money market, refinance facility and the LAF of RBI, bank-PDs will not have separate access to these facilities and liquidity support as applicable to the standalone PDs.

3.5 The guidelines issued vide circular IDMD.No/3426/11.01.01 (D)/2005-06 dated May 3, 2006, as updated vide circulars IDMD.No/2130/11/01.01 (D)/2006-07 dated November 16, 2006, IDMD.DOD.No.3166/11/01.01(B)/2007-08 dated January 1, 2008 and FMRD.DIRD.06/14.03.07/2015-16 dated December 10, 2015 on 'When-issued' trades will be applicable to bank-PDs also.

3.6 Bank-PDs shall be guided by the extant guidelines applicable to banks as regards borrowing in call/notice/term money market, ICDs, FCNR (B) loans /External Commercial Borrowings and other sources of funds.

3.7 The investment policy of the bank may be suitably amended to include PD activities also. Within the overall framework of the investment policy, the PD business undertaken by the bank will be limited to dealing, underwriting and market-making in G-Sec. Investments in Corporate / PSU / FIs bonds, CPs, CDs, debt mutual funds and other fixed income securities will not be deemed to be a part of PD business.

3.8 The classification, valuation and operation of investment portfolio guidelines as applicable to banks in regard to "Held for Trading" portfolio will also apply to the portfolio of G-Sec including T-Bills/CMBs earmarked for PD business.

3.9 The G-Sec including T-Bills/CMBs under PD business will count for SLR purpose.

3.10 Bank-PDs shall be guided by the extant guidelines applicable to banks as regards business through brokers, repo transactions, interest rate derivatives (OTC & exchange traded), investment in non-G-Sec, Issue of Subordinated Debt Instruments and declaration of dividend.

4. Maintenance of books and accounts

4.1 The transactions related to PD business, undertaken by a bank departmentally, should be executed through the existing SGL account of the bank. However, Bank-PDs need to maintain distinct PD book as per DBR guidelines RBI/2006-07/104 DBOD.FSD.BC. No.25/24.92.001/2006-07 dated August 9, 2006. The decision regarding maintaining a PD book as part of HFT-G-Sec portfolio or treating the entire HFT-G-Sec- portfolio as PD book is left to the banks. However, banks may clearly indicate in their investment policy the intention of denoting the whole or part of HFT-G-Sec book as PD book with the approval of their Board/ALCO.

4.2 Bank-PDs shall decide about classification (HTM/AFS/HFT-G-Sec-bank/HFT-G-Sec-PD) of securities allotted in the primary auction/purchased in the secondary market, at the time of acquisition of the securities.

4.3 It should be ensured that, at any point of time, there is a minimum balance of Rs.100 crore of G-Sec earmarked for PD business.

4.4 Bank-PDs should subject 100 per cent of the transactions and regulatory returns submitted by PD department to concurrent audit. An auditor's certificate for having maintained the minimum stipulated balance of Rs.100 crore of G-Sec in the PD-book on an ongoing basis and having adhered to the guidelines/instructions issued by RBI should be forwarded to IDMD, RBI on a quarterly basis.

5. Capital Adequacy and Risk Management

5.1 The capital adequacy and risk management guidelines applicable to a bank undertaking PD activity departmentally, will be as per the extant guidelines applicable to banks. In other words, for the purpose of assessing the bank's capital adequacy requirement and coverage under risk management framework, the PD activity should also be taken into account.

5.2 The bank undertaking PD activity may put in place adequate risk management systems to measure and provide for the risks emanating from the PD activity.

6. Supervision by RBI

6.1 The banks authorized to undertake PD business departmentally are required to submit prescribed periodic returns to RBI promptly. The current list of such returns and their periodicity, etc. is furnished in **Annex II- C.**

6.2 Reserve Bank reserves its right to amend or modify the above guidelines from time to time, as may be considered necessary.

****

Annex I

<u>Format of Undertaking</u>

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 GoI 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 GoI 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 Direction 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 RBI /Securities and Exchange Board of India (SEBI) requirements under the existing guidelines and which may be laid down from time to time in this behalf, failing which RBI would be at liberty to cancel the authorisation as a PD.

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 permit the RBI to inspect all records, books, information, documents and make available the records to the officers deputed by the RBI for inspection/scrutiny and render all necessary assistance.

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.

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.

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. Para **3.b**, words in italics in para **6** and para **12** are applicable to bank-PDs only.

Annex II-A

Statements / Returns required to be submitted by PDs to IDMD

Sr. No.	Return/Report	Periodicity	Last date for submission	Reference under which required
1.	**PDR-I*** (Sources and application of funds maintained on daily basis)	Fortnightly	Next working day of the reporting fortnight.	PD Guidelines
2.	**PDR-II*** (Securities market turnover on monthly basis)	Monthly	10th of the following month.	
3.	**PDR-III*** (Statement on capital adequacy)	Quarterly	15th of the month following the reporting	
4.	**PDR IV*** (Financial and balance sheet indicators)	Quarterly	15th of the month following the reporting quarter.	
5.	Return on FRAs / IRS*	Monthly	10th of the following month.	
6.	Annual Report & Annual Audited A/cs	Annual	As soon as annual accounts are audited and finalized.	
7.	Auditor's Certificate on Net Owned Funds	Yearly	30th June.	
8.	Details of dividend declared during the accounting year	Yearly	Within a fortnight from the payment of dividend.	

* Returns to be submitted on XBRL online platform

Annex II-B

Statements / Returns required to be submitted by PDs to departments other than IDMD of Reserve Bank of India

Sr. No.	Return/Report	Periodicity	To be filed with Dept.	Reference under which required
1.	Return on FRAs / IRS	Fortnightly	MPD	MPD.BC.187/07.01.279/1999-2000 dated July 7, 1999.
2.	Statement showing balances of Govt. Securities held on behalf of each Gilt A/c holder	Half-Yearly	PDO	
3.	Return on Call Money transactions with Commercial Banks	Fortnightly	DEPR	
4.	Information for Issue of Commercial Paper	On each issue of CP	MPD	IECD.2/08.15.01/2001-02 dated July 23, 2001.

Note: The last date prescribed for submission of these statements by the departments concerned and/or IDMD should be adhered to.

Annex II-C

Statements / Returns required to be submitted by banks on their Primary Dealership business to IDMD

Sr. No.	Return/Report	Periodicity	Last date for submission
1.	PDR-II (format enclosed as Annex VI) *	Monthly	10th of the following month.
2.	Concurrent auditor certificate for having maintained the minimum stipulated balance of Rs. 100 crore of G-Sec in the PD-book on an ongoing basis.	Quarterly	15th of the month following the reporting quarter.
3.	Annual Report on PD activity of the bank.	Annual	Within 30 days of the finalization of audited accounts.

* Returns to be submitted on XBRL online platform

Annex III

Illustration showing the underwriting amount, cut-off of fee quoted and commission payable to PDs

Instrument Name	XXXXXXXX
Auction Type	Multiple
Notified amount (NA)	4200
Total No. of PDs (n)	21
Minimum Underwriting Commitment (MUC)	2100
Per PD MUC (MUC/n)	100
Total PD commitment under MUC collectively (Adjusted MUC)	2100
Additional Competitive Underwriting (ACU) ACU = (NA - Adjusted MUC)	2100
Minimum bidding by each PD in ACU (equal to per PD MUC)	100
Total underwriting commitment for each PD under MUC and ACU	200
Total Underwriting (212 *19)	4200
Minimum allotment to a PD to be eligible for higher commission on MUC i.e. min 4% of Notified Amount	168

…………………. **Annex III**

Bids submitted under Additional Competitive Underwriting Auction

Sr. No	**PDs participated in U/W auction**	**Amount of bid in ACU (Rs. Crore)**	**Cumulative Amount (Rs. Cr)**	**Underwriting fee (in paise / Rs.100)**	**Amount of bid * U/w fee**	**Remarks**	**Weighted Average underwriting fee (paise / Rs.100)**
1	A	150	150	1.52	228.00		1.52
2	B	155	305	2.56	396.80		2.05
3	A	60	365	3.50	210.00	Three lowest bids	2.29
4	C	95	460	3.70	351.50		2.58
5	B	200	660	3.94	788.00		2.99
6	B	25	685	4.00	100.00		3.03
7	D	120	805	4.00	480.00		3.17
8	E	95	900	4.49	426.55		3.31
9	F	70	970	4.50	315.00		3.40
10	G	50	1020	4.75	237.50		3.46
11	E	115	1135	4.90	563.50		3.61
12	C	90	1225	4.94	444.60		3.71
13	F	220	1445	4.95	1089.00		3.90
14	G	200	1645	5.00	1000.00		4.03
15	H	120	1765	5.00	600.00		4.10
16	I	120	1885	5.00	600.00		4.15
17	I	109	1994	5.00	545.00	CUT-OFF	4.20
18	I	25	2019	5.50	137.50		4.22
19	J	120	2139	5.94	712.80		4.31
20	K	120	2259	6.00	720.00		4.40
21	L	120	2379	6.00	720.00		4.48
22	M	55	2434	6.50	357.50		4.53
23	N	120	2554	6.94	832.80		4.64
24	O	120	2674	7.00	840.00		4.75
25	P	120	2794	7.00	840.00		4.84
26	Q	120	2914	7.00	840.00		4.93
27	R	106	3020	8.00	848.00		5.04
28	S	106	3126	8.50	901.00		5.16
29	M	80	3206	9.00	720.00		5.25
30	K	100	3306	9.25	925.00		5.38
Rate of commission payable to PDs on MUC for those who have been allotted an amount >= 4% of notified amount					**4.20** (weighted average of all allotted bids)		
Rate of commission payable to other PDs on MUC					**2.29** (weighted average of three lowest bids)		

…………………. Annex III

PD Wise eligible commission on ACU and ACU Allotment			
[a]	[b]	[c]	[d]={[b]*10000000*[c]/100}/100
Successful PDs	Successful bids in ACU (Rs. Cr)	Underwriting fee bid (in paise / Rs.100)	Bid wise commission payable on ACU (In Rs.)
A	150	1.52	228,000.00
A	60	3.50	210,000.00
A Total	**210**		**438,000.00**
B	155	2.56	396,800.00
B	200	3.94	788,000.00
B	25	4.00	100,000.00
B Total	**380**		**1,284,800.00**
C	95	3.70	351,500.00
C	90	4.94	444,600.00
C Total	**185**		**796,100.00**
D	120	4.00	480,000.00
D Total	**120**		**480,000.00**
E	95	4.49	426,550.00
E	115	4.90	563,500.00
E Total	**210**		**990,050.00**
F	70	4.50	315,000.00
F	220	4.95	1,089,000.00
F Total	**290**		**1,404,000.00**
G	50	4.75	237,500.00
G	200	5.00	1,000,000.00
G Total	**250**		**1,237,500.00**
H	120	5.00	600,000.00
H Total	**120**		**600,000.00**
I	120	5.00	600,000.00
I	101	5.00	505,000.00
I Total	**221**		**1,105,000.00**

……………… **Annex III**

Underwriting Commission Details								
PD	**MUC amount accepted**	**ACU amount accepted**	**Total amount accepted**	**Whether ACU accepted is >= 4% NA**	**Weighted average fee taken for MUC commission calculation**	**Commn. on MUC**	**Commiss ion on ACU**	**Total Commissi on**
	(in crore)	(in crore)	(in crore)		(paise per Rs.100)	(Rs.)		
A	106	210	316	YES	4.20	445,200	438,000	883,200
B	106	380	486	YES	4.20	445,200	1,284,800	1,730,000
C	106	185	291	YES	4.20	445,200	796,100	1,241,300
D	106	120	226	NO	2.29	242,740	480,000	722,740
E	106	210	316	YES	4.20	445,200	990,050	1,435,250
F	106	290	396	YES	4.20	445,200	1,404,000	1,849,200
G	106	250	356	YES	4.20	445,200	1,237,500	1,682,700
H	106	120	226	NO	2.29	242,740	600,000	842,740
I	106	221	327	YES	4.20	445,200	1,105,000	1,550,200
J	106	0	106	NO	2.29	242,740	0	242,740
K	106	0	106	NO	2.29	242,740	0	242,740
L	106	0	106	NO	2.29	242,740	0	242,740
M	106	0	106	NO	2.29	242,740	0	242,740
N	106	0	106	NO	2.29	242,740	0	242,740
O	106	0	106	NO	2.29	242,740	0	242,740
P	106	0	106	NO	2.29	242,740	0	242,740
Q	106	0	106	NO	2.29	242,740	0	242,740
R	106	0	106	NO	2.29	242,740	0	242,740
S	106	0	106	NO	2.29	242,740	0	242,740
TOTAL	**2014**	**1986**	**4000**			**6,029,280**	**8,335,450**	**14,364,730**

Annex IV

Illustrations showing PDs' Commitment to T-Bills / CMBs auctions and Success Ratio

A PD has committed to bid aggregatively Rs. 500 crore in T-Bills as shown below. The success ratio to be maintained by the PD is 40 per cent in respect of T- Bills/CMBs. Various scenarios in respect of fulfillment of the bidding commitment and the success ratio assuming that the bids tendered and the bids accepted will be as under:

T-Bills/CMBs: **(Rs. crore)**

SCENARIOS		(I)	(II)	(III)
Bidding Commitment	(a)	**500**	**500**	**500**
Bids Tendered	(b)	600	500	400
Bids Accepted	(c)	**300**	**200**	**100**
Success Ratio Achieved (c)/ (a)		60%	40%	20%
Fulfillment of Bidding Commitment		Yes	Yes	No
Fulfillment of Success Ratio		Yes	Yes	No
Success Ratio in T-Bills/CMBs is the ratio of bids accepted to the bidding commitment.				

Annex V

Format - PDR I Return

Name of PD:
Net Owned Funds (as per last b/s):
Return for fortnight ending:
Amount in Crore date wise fortnightly statement

1				
A	**Outright purchases (Face Value)**			
	(i) Government dated securities and T-Bills			
	(ii) Other securities			
B	**Outright sales (Face Value)**			
	(i) Government dated securities and T-Bills			
	(ii) Other securities			
C	**Repo transactions**			
	i) Borrowing (amount)			
	- from RBI			
	- from the market			
	ii) Lending (amount)			
	- to RBI			
	- to the market			
D	**Call Money transactions**			
	- Borrowing			
	- Lending			
2	**Outstanding balances (Settled position figures)**			
A	**Sources of Funds**			
	a) Net Owned funds (as per last audited balance sheet)			
	b) Current year's accruals under profit /loss account			
	c) Call Money Borrowings			
	d) Notice Money borrowings			
	e)Term Money borrowings			
	f) Borrowing from RBI under SLF			
	g) Borrowing from RBI under LAF			
	h) Borrowing under NCDs			
	i) Repo borrowing from market			
	j) Corporate bond repo borrowing			
	k) Borrowing under CBLO			
	k) Borrowing under credit lines of banks/FIs			
	m) Borrowings through Inter-Corporate Deposits			
	- maturing up to 14 days			
	- maturing beyond 14 days			
	n) FCNR(B) Loans			
	o) Commercial Paper issuances			
	p)Bond issuances			
	q) Others (Give details for items in excess of Rs 10 cr)			
	Total			

B	**Application of Funds**			
	a) Government dated securities, SDL & -Bills (Book value)@			
	I) Own Stock			
	i) Dated G-sec(excluding IIBs) ii) IIBs iii) SDL iv) 91 Day T Bills v) 182 Day T Bills vi) 364 Day T Bills vii) CMBs viii) Others, if any			
	II) Stock with RBI under Assured Support			
	III) Stock with RBI under LAF			
	IV) Stock with market for repo borrowing			
	b) Lending in Call money Market			
	c) Lending in Notice money market			
	d) Lending in Term money market			
	e) Repo Lending to market			
	f) Lending under CBLO			
	g) Repo lending to RBI			
	h) Investment in Corporate Bonds			
	i) Investment in shares			
	j) Investment in Mutual funds schemes			
	- debt oriented			
	- equity oriented			
	k) Investment in Subsidiaries.			
	l) Investment in FDs			
	m) Other financial assets if any (Give details for items in excess of Rs 10 cr)			
	n) Fixed Assets			
	o) Others (Give details for items in excess of Rs 10 cr)			
	Total			
	Own Stock position (SGL Balance) (Face value)			
	i) T-Bills			
	ii) Dated Securities			
	iii) State Development Loans (SDLs)			
3	**a) Portfolio duration for Securities#**			
	b) Portfolio duration for dated G-Sec			
	c) VaR for the day (with prescribed holding period of 15 days) as % of portfolio #			
	d) Leverage ratio (the PD as a whole)#			

@ Exclude stock received as pledge for repo lending to RBI/market participants and also the stock reported under II, III and IV.

Board approved figures may be given in the foot note.

Annex VI

<u>Format - PDR II Return</u>

Form PDR 2

Name of the Primary Dealer
Statement as at the end of :

(Rs. in crore) **Cumulative figures**

SECTION A - SECURITIES MARKETS TURNOVER

		Dated GOI Securities	**IIBs**	**State Govt. Securities**	**Treasury Bills/CMBs**		**Total**
I	**PRIMARY MARKET**						
	NEW SUBSCRIPTIONS				H1 (April-Sep)	H2 (Oct-Mar)	
i)	Bidding Commitment*			N.A.			
ii)	Bids Tendered **						
iii)	Non-competitive bids						
iv)	Bids Accepted (A) (including non-comp bids)						
v)	Success Ratio						
	REDEMPTIONS (B)						
II	**TOTAL = I (A) + I (B)**						
III	**UNDERWRITING**						
i)	Amount offered for underwriting (MUC+ACU)				N.A.		
ii)	Amount of underwriting accepted by RBI				N.A.		
iii)	Amount of devolvement				N.A.		
iv)	Underwriting fees received (in Rupees)				N.A.		
IV	**SECONDARY MARKET TURNOVER - OTC - Outright (including OMO and NDS-OM transactions)**						
i)	Purchases						
ii)	Sales						
	TOTAL OUTRIGHT TURNOVER (A)						
	Of which deals done with non-NDS members:						
i)	Purchases						
ii)	Sales						
	REPURCHASEAGREEMENTS:						
i)	Repo (both legs)						
ii)	Reverse Repo (both legs)						
	TOTAL REPOS TURNOVER (B)						
V	**Total Turnover = OTC IV (A) + IV (B)**						
VI	**SECONDARY MARKET TURNOVER - STOCK EXCHANGES**						
i)	Purchases						
ii)	Sales						
	Total (VI)						
	TOTAL SECONDARY MARKET TURNOVER						
VII	**(V + VI)**						
	TOTAL TURNOVER (II + VII)						

* In case of dated government securities, bidding commitment is total underwriting allotment (MUC+ACU)
** Include applications made under tap issues

(normally applicable to State Loans)

(VIII to XII below is for standalone PDs only)

VIII	**REPURCHASE AGREEMENTS WITH RBI UNDER LAF**		
i)	Repo (both legs)		
ii)	Reverse Repo (both legs)		
IX	**TURNOVER IN EQUITY SHARES AND EQUITY LINKED MUTUAL FUND UNITS**		
A.	**Equity Shares**	**Purchases**	**Sales**
a.	Primary Market		
b.	Secondary Market		
B.	**Equity Linked Mutual Funds**	**Purchases**	**Sales**
a.	Primary Market		
b.	Secondary Market		
X.	**CALL (average on daily product basis)**		
i)	Borrowings		
ii)	Lendings		
iii)	Net borrowing		
XI.	**NOTICE MONEY (average on daily product basis)**		
i)	Borrowings		
ii)	Lendings		
iii)	Net borrowing		
	XII. TERM MONEY **i) Borrowings .....** **ii) Lendings ……** **iii) Net Borrowings …….** **XII. Liquidity support** **(i) availed from RBI (average on daily product basis) ......** **(ii) outstanding at the end of month**		

SECTION B - EXCHANGE TRADED INTEREST RATE DERIVATIVES

	NPA^^ of the futures contract outstanding at the beginning of the month	NPA of the futures contract entered into during the month	NPA of the futures contract reversed during the month	NPA of the futures contract outstanding at the end of the month
<u>I. Activity during the month</u> **91 Day Treasury Bill**				
month 1				
month 2				
month 3				
10 Year Zero Coupon Bond				
month 1				
month 2				
month 3				
10 Year Notional Bond				
month 1				
month 2				
month 3				
(NPA is to be furnished according to the underlying interest exposure wise breakup)				

II. Analysis of "highly effective" hedges

A certificate from Concurrent Auditors stating that the size of the hedge portfolio and that the

hedge is highly effective as per the definition of RBI circular dated June 3, 2003

III. Analysis of trading positions

	NPA of the Trading Futures Position	MTM value of the trading futures position
91 Day Treasury Bill		
month 2		
month 3		
10 Year Zero Coupon Bond		
month 2		
month 3		
10 Year Notional Bond		
month 2		
month 3		
^^ NPA = Notional Principal Amount		

Section C-(For Bank PDs only)

PD HFT (Book Value in Rs crore)

	Outstanding on month end	Average month end balance
Dated G-Sec (excluding IIBs)		
91 Day Treasury Bill		
182 Day Treasury Bill		
364 Day Treasury Bill		
CMBs		
SDLs		
IIBs		

Whether the entire HFT G-Sec is treated as PD book or part of it is treated as PD book?

entire HFT G-Sec is treated as PD book	
part of HFT G-Sec is treated as PD book	

Section D-(Data on Retail Segment)

Mid/ retail segment			
	No. of gilt accounts held	**Target for the year ended June ….**	**Retail and mid segment turnover achieved from July till ….**
RRBs	--	--	--
UCBs	--	--	--
Trusts	--	--	--
Provident Funds (includes gratuity funds)	--		
Individuals	--	--	--
Others, if any (specify)	--	--	--
Total	--		

Annex VII

PDR III Return - Format

Statement of Capital Adequacy - Quarter ended -
Name of the Primary Dealer :
Statement - 1 (Summary) (Amount in Rs.)

(i) **Total of Risk Weighted Assets(RWA) for Credit Risk (Appendix I)**

(ii) **(a) Tier-I Capital funds (after deductions)**
(b) Tier-II Capital funds eligible
(c) Total of available Tier-I & II capital funds

(iii) **Minimum credit risk capital required i.e.** (i) **x 15 per cent**

(iv) **Excess of Tier-I & II capital funds available for market risk capital charge i.e.** (ii) **(c) –** (iii)

(v) **The Market Risk capital charge worked out as the higher of the amounts under the Standardised method and the one as per internal risk management framework based VaR model (Appendices II and III)**

(vi) **Capital funds available to meet** (v) **i.e: excess of Tier-I and Tier-II as at** (iv) **above,**

(vii) *Over all Capital Adequacy*
(a) **Total RWA for credit risk i.e.** (i)
(b) **Capital charge for market risk i.e.** (v)
(c) **Numerical Link for** (b) **=** **6.67**
i.e.(reciprocal of credit risk capital ratio of 15%)
(d) **Risk Weighted Assets relating to Market Risk i.e.** (b) **x** (c)
(e) **Total Risk Weighted Assets i.e.** (a) **+** (d)
(f) **Minimum capital required i.e.** (e) **x 15%**
(g) **Total Capital funds available i.e.** (ii) **+** (vi)
(h) less : **Capital funds prescribed by other regulators/ licensors e.g. SEBI/ NSE/ BSE/OTCEI**
(i) **Net capital funds available (**g – h**) for PD business**

(viii) **Capital to Risk-Weighted Assets Ratio (CRAR) %** (i / e) * 100

Following Appendices are to be sent along with the PDR III Return:

Appendix I - Details of the various on-balance sheet and off-balance sheet items, the risk weights assigned and the risk adjusted value of assets have to be reported in this format. The format enclosed is purely illustrative. PDs are required to adhere to the guidelines on activities permitted to be undertaken by PDs while diversifying business activities.

Appendix II - Details of the market risk charge using the standardised model as per the format enclosed.

Appendix III - Details of market risk using the VaR based internal model as per the format enclosed.

Appendix IV - Details of back-testing results for the previous quarter, giving the details of VaR predicted by the model, the actual change in the value of the portfolio and the face value of the portfolio.

Appendix V - Details of stress testing, along with details of the change in the value of the portfolio for a given change in the yield, in the format enclosed.

Appendix I

CREDIT RISK

A. BALANCE SHEET ITEMS

FUNDED RISK ASSET	BOOK VALUE Rupees	RISK WEIGHT %	RISK ADJUSTED VALUE
I. Cash balances and balances in current account with RBI		0%	
II. Amount lent in call/ notice money market and balances in current account with banks		20%	
III. Investments			
(a) Government securities/ Approved securities guaranteed by Central / State governments other than at (e) below		0%	
(b) Fixed deposits, Bonds and Certificates of Deposit of banks, PDs and Public Financial Institutions		20%	
(c) Bonds issued by banks / PDs / public financial Institutions (as specified by DBR) as Tier-II capital		100%	
(d) Shares of all companies/units of mutual funds		100%	
(e) debentures / bonds / commercial papers of companies other than in (b) above (As per circular DNBR.CO.PD.No.080/03.10.01/2015-16 dated April 28, 2016, as amended from time to time)			
i. Short term instruments (Aggregate amount rating wise) A1+ A1 A2 A3 A4&D Unrated		 20% 30% 50% 100% 150% 100%	
ii. Long term instruments (Aggregate amount rating wise) AAA AA A BBB ≤BB Unrated		 20% 30% 50% 100% 150% 100%	
(f) Securities of Public Sector Undertakings guaranteed by Central / State Govts. but issued outside the market borrowing programme *Note: In case where the guarantee has been invoked and the concerned state government has remained in default, PDs should assign 100% risk weight.*		20%	
(g) Securities of and other exposures on PDs in the Government Securities market including bills rediscounted		100%	

(h) Subordinated debts issued by other PDs as Tier-II capital		100%	
IV. Current Assets			
(a) Loans to staff		100%	
(b) Other secured loans and advances considered good		100%	
(c) Others (to be specified)		100%	
V. Fixed Assets (net of depreciation)			
(a) Assets leased out		100%	
(b) Fixed Assets		100%	
VI. Other assets			
(a) Income-tax deducted at source (net of provision)		0%	
(b) Advance tax paid (net of provision)		0%	
(c) Interest due on Government securities		0%	
(d) Others (to be specified and risk weight indicated as per the counter party)		X%	

AA. TOTAL RISK-WEIGHTED BALANCE SHEET ASSETS

B. OFF-BALANCE SHEET ITEMS

FUNDED RISK ASSET	BOOK VALUE Rupees	CREDIT CONV FACTOR %	RISK WEIGHT %	RISK ADJ VALUE
i. Share/ debenture/ auction stock underwritten				
- Government/ any exposure guaranteed by Government		50	0	
- Banks/ Financial Institutions		50	20	
- PDs		50	100	
- All others		50	100	
ii. Partly-paid shares/debentures including actual devolvement and other securities				
- Government/ any exposure guaranteed by Government		100	0	
- Banks/ Financial Institutions		100	20	
- PDs in the Government securities market		100	100	
- All others		100	100	
iii. Notional Equity/Index Positions underlying the equity derivative		100	100	
iv. Repurchase agreements where the credit risk remains with the PD				
- Government/ any exposure guaranteed by Government		100	0	
- Banks/ Financial Institutions		100	20	
- PDs		100	100	
- All others		100	100	
v. Other contingent liabilities/ commitments like standby facility with original maturity of over one year				

- Government/ any exposure guaranteed by Government		50	0	
- Banks/ Financial Institutions		50	20	
- PDs		50	100	
- All others		50	100	
vi. Interest Rate Derivative*				
Residual maturity of 1 year or less		0.5		
Residual maturity of 1 year to 5 years		1		
Residual maturity of over 5 years		3		
vii. Foreign Exchange Contract*				
Residual maturity of 1 year or less		2		
Residual maturity of 1 year to 5 years		10		
Residual maturity of over 5 years		15		

Note: Cash margins/deposits should be deducted before applying the credit conversion factor
**:Risk weights would be as per the counterparty*

BB. TOTAL RISK-WEIGHTED OFF-BALANCE SHEET ASSETS

C. TOTAL RISK-WEIGHTED BALANCE SHEET & OFF-BALANCE SHEET ASSETS

Appendix II

PDR-III Quarterly Return													
Statement 2													
MARKET RISK CAPITAL STATEMENT (Appreciation in book value not recognized)													
Standardised Method													
A. Interest rate Instruments & Equity /Equity like instruments													
INSTRUMENT	Maturity Date	POSITION (FV)	BOOK PRICE	BOOK VALUE	MODIFIED DURATION	DURATION BUCKET	ZONE	YIELD	ASSUMED CHANGE IN YIELD (bps)	CHANGED YIELD	CHANGED PRICE	CHANGE IN PRICE	MARKET RISK CHARGE
(Including equity positions) (1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Total of A													
B. Unhedged Foreign Exchange Position													**15%**
Total of B													
Total (A+B)													

	Position (Marked to Market value)	**Market Risk Measure (15% of the position)**
C. Unhedged Foreign Exchange Position		

D. Asset items subjected to flat charge of 15% for market risk measurement

Memo items:

Items of assets which, with the approval of RBI, have been classified as investment items and not subjected to market risk measure:

	Asset	**Book Value**	**MTM/NAV**
1.			
2.			
3.			

Appendix III

VaR Calculation

Details of the VaR calculation – for the last 60 days				
	Total			
Date	Portfolio Value (Rs.)	VaR (Rs.) One Day	VaR with holding period	VaR with holding period as a percentage of portfolio
(a) Average of 60 day VaR (with holding period)				
(b) 3.3 times the 60 day average VaR (with holding period)				
(c) Last day's VaR				
(d) Market Risk Measure {higher of (b) and (c) above}				

Appendix IV

Back Testing of VaR Model

For the last 250 trading days

Backtesting Report as part of PDR III for Quarter ended…………………..

	Actual	Hypothetical
No. of observations (excluding holidays)	250	250
No. of failures, i.e. No. of times VaR underpredicted the actual trading/hypothetical MTM losses	…..	…..

DATE-WISE BACKTESTING RESULTS

(Rs. in crore)

S. No.	Date	1 day VaR Entire Portfolio	Mkt. Value Entire Portfolio	Mkt. Value Next Day Same Portfolio	Difference	Failure (Y/N)	Actual P/L	Failure (Y/N)
1								
2								
3								
4								
.								
.								
.								
.								
.								
.								
250								

The daily VaR preceding holidays should be up-scaled by the square root of number of intervening holidays. For, example, if the Friday is followed by 2 holidays, then the one VaR figure for Friday should be multiplied by square root of 2.

Appendix V

Details of Stress Testing

		STRESS TEST AS ON:	
Name of the PD:			
ASSETS (All tradable interest rate related assets)			
		MTM Value (Rs. Crore)	**Weighted Average Mod. Duration (years)**
1	G-Sec and T-Bills		
2	Corporate/PSU/FI Bonds		
3	Receiving leg in respect of FRA/IRS		
4	Other tradable interest rate instruments		
Total MTM value of assets (Va)			
Weighted Average Mod. Duration of the assets (Da)			
LIABILITES (excluding NOF)			
		MTM Value (Rs. Crore)	**Weighted Average Mod. Duration (years)**
1	Net borrowing Call, notice & term money		
2	Net borrowing in Repo (including LAF of RBI)		
3	Net Borrowing through CBLO		
4	Borrowing through ICDs		
5	Borrowing through CPs		
6	Borrowing through Bond issuances		
7	Credit lines from banks/FIs		
8	Paying leg in respect of FRA/IRS		
9	Other tradable interest rate liabilities		
Total MTM value of liabilities (Vl)			
Weighted Average Mod. Duration of Liabilities (Dl)			

Mod. Duration of NOF (Dn) = (Va*Da - Vl*Dl)/(Va-Vl)	

Percentage change in NOF = (-) Dn*Change in interest rates (1%)	

Change in NOF = (-) Dn* Change in Interest rates (1%)*NOF	

Other details:		
Net interest income in the current year so far		
Trading profits/loss in the current year so far		
Unrealised MTM (Net gain/loss on cash positions)		
Unrealised MTM (Net gain/loss on derivative positions)		
Other income, if any (Details to be specified) ***		
NOF deployed in fixed income and related instruments		
Total NOF (Break-up to be furnished)		

Note: NOF should be determined as per the definition prescribed in this regard. The MTM gains or losses should be adjusted in the NOF**.**

***Details of Other Income

Capital funds of the firm as on the date of stress test

(Rs. in crore)

i.	Tier-I Capital	
ii.	Tier-II Capital	
iii.	**Total Capital (i+ii)**	
iv.	**Details of Deductions**	
a.	Investment in subsidiaries	
b.	Intangible assets	
c.	Losses in current accounting period	
d.	Deferred tax assets	
e.	Losses brought forward from previous accounting periods	
f.	Capital funds prescribed by other regulator	
v.	**Total Deductions(a+b+c+d+e+f)**	
vi.	Net Total Capital Funds (iii-v)	
	Less	
vii.	Change in NOF due to one per cent increase in yields	
viii.	**Net capital funds available after providing for change in NOF**	
ix.	Risk-weighted assets for the credit risk of the firm	
x.	Risk-weighted assets for the market risk of the firm	
xi.	**Total risk-weighted assets (ix+x)**	
xii.	**Capital adequacy ratio as on the date of stress test (viii/xi)**	

Annex VIII
(See para 5)

Criteria for use of internal model to measure market risk capital charge

A General criteria

1. In order that the internal model is effective, it should be ensured that :

   - the PD's risk management system is conceptually sound and its implementation is certified by external auditors;
   - the PD has sufficient number of staff skilled in the use of sophisticated models not only in the trading area but also in the risk control, audit, and back office areas;
   - the PD has a proven track record of reasonable accuracy in measuring risk (back testing);
   - the PD regularly conducts stress tests along the lines discussed in Para B.4 below

2. In addition to these general criteria, PDs using internal models for capital purposes will be subject to the requirements detailed in Sections B.1 to B.5 below.

B.1 Qualitative standards

The extent to which PDs meet the qualitative criteria contained herein will influence the level at which the RBI will ultimately set the multiplication factor referred to in Section B3 (b) below, for the PDs. Only those PDs, whose models are in full compliance with the qualitative criteria, will be eligible for use of the minimum multiplication factor. The qualitative criteria include:

a) A PD should have an independent risk control unit that is responsible for the design and implementation of the system. The unit should produce and analyze daily reports on the output of the PD's risk measurement model, including an evaluation of the relationship between measures of risk exposure and trading limits. This unit must be independent from trading desks and should report directly to senior management.

b) The unit should conduct a regular back testing programme, i.e. an ex-post comparison of the risk measure generated by the model against actual daily changes in portfolio value over longer periods of time, as well as hypothetical changes based on static positions.

c) Board and senior management should be actively involved in the risk control process and must regard risk control as an essential aspect of the business to which significant resources need to be devoted. The daily reports prepared by the independent risk control unit must be reviewed by a level of management with sufficient seniority and authority to enforce both reductions in positions taken by individual traders and reductions in the PD’s overall risk exposure.

d) The PD’s internal risk measurement model must be closely integrated into the day-to-day risk management process of the institution. Its output should accordingly be an integral part of the process of planning, monitoring and controlling the PD’s market risk profile.

e) The risk measurement system should be used in conjunction with internal trading and exposure limits. Trading limits should be related to the PD's risk measurement model in a manner that is consistent over time and that it is well-understood by both traders and senior management.

f) A routine and rigorous programme of stress testing should be in place as a supplement to the risk analysis based on the day-to-day output of the PD's risk measurement model. The results of stress testing should be reviewed periodically by senior management and reflected in the policies and limits set by management and the Board. Where stress tests reveal particular vulnerability to a given set of circumstances, prompt steps should be taken to manage those risks appropriately.

g) PDs should have a routine in place for ensuring compliance with a documented set of internal policies, controls and procedures concerning the operation of the risk measurement system. The risk measurement system must be well documented, for example, through a manual that describes the basic principles of the risk management system and that provides an explanation of the empirical techniques used to measure market risk.

h) An independent review of the risk measurement system should be carried out regularly in the PD's own internal auditing process. This review should include the activities of the trading desks as well as the risk control unit. A review of the overall risk management process should take place at regular intervals (ideally not less than once a year) and should specifically address, at a minimum:

- the adequacy of the documentation of the risk management system and process;
- the organization of the risk control unit ;
- the integration of market risk measures into daily risk management;
- the approval process for risk pricing models and valuation systems used by front and back-office personnel;

- the validation of any significant change in the risk measurement process;
- the scope of market risks captured by the risk measurement model;
- the integrity of the management information system;
- the accuracy and completeness of position data;
- the verification of the consistency, timeliness and reliability of data sources used to run internal models, including the independence of such data sources;
- the accuracy and appropriateness of volatility and other assumptions;
- the accuracy of valuation and risk transformation calculations;
- the verification of the model's accuracy through frequent back testing as described in (b) above and in the **Annex IX**.

i) The integrity and implementation of the risk management system in accordance with the system policies/procedures laid down by the Board should be certified by the external auditors as outlined at Para B.5.

j) A copy of the back testing result should be furnished to RBI.

B.2 Specification of market risk factors

An important part of a PD's internal market risk measurement system is the specification of an appropriate set of market risk factors, i.e. the market rates and prices that affect the value of the PD's trading positions. The risk factors contained in a market risk measurement system should be sufficient to capture the risks inherent in the entire portfolio of the PD. The following guidelines should be kept in view:

a) For *interest rates,* there must be a set of risk factors corresponding to interest rates in each portfolio in which the PD has interest-rate-sensitive on-or-off-balance sheet positions. The *risk measureme*nt system should model the yield curve using one of a number of generally accepted approaches, for example, by estimating forward rates of zero coupon yields. The yield curve should be divided into various maturity segments in order to capture variation in the volatility of rates along the yield curve. For material exposures to interest rate movements in the major instruments, PDs must model the yield curve using all material risk factors, driven by the nature of the PD's trading strategies. For instance, a PD with a portfolio of various types of securities across many points of the yield curve and engaged in complex trading strategies would require a greater number of risk factors to capture interest rate risk accurately. The *risk measurement* system must incorporate separate risk factors to capture spread risk (e.g. between bonds and swaps), i.e. risk arising from less than perfectly correlated movements b*etween Governmen*t and other fixed-income instruments.

b) For *equity prices,* at a minimum, there should be a risk factor that is designed to capture market-wide movements in equity prices (e.g. a market index). Position in individual securities or in sector indices could be expressed in "beta-equivalents" relative to this market-wide index. More detailed approach would be to have risk factors corresponding to various sectors of the equity market (for instance, industry sectors or cyclical, etc.), or the most extensive approach, wherein, risk factors corresponding to the volatility of individual equity issues are assessed. The method could be decided by the PDs corresponding to their exposure to the equity market and concentrations.

B.3 Quantitative standards

a) PDs should update their *data sets* at least once every three months and should also reassess them whenever market prices are subject to material changes. RBI may also require PDs to calculate their VaR using a shorter observation period if, in its judgement, this is justified by a significant upsurge in price volatility.

b) The multiplication factor will be set by RBI on the basis of the assessment of the quality of the PD's risk management system, as also the back testing framework and results, subject to an absolute minimum of 3. The document *'Back testing' mechanism to be used in conjunction with the internal risk based model for market risk capital charge',* enclosed as **Annex IX**, presents in detail the back testing mechanism.

PDs will have flexibility in devising the precise nature of their models, but the parameters indicated at B.1, B.2 and B.3 above are the minimum which the PDs need to fulfill for acceptance of the model for the purpose of calculating their capital charge. RBI will have the discretion to apply stricter standards.

B.4 Stress testing

1. PDs that use the internal models approach for meeting market risk capital requirements must have in place a rigorous and comprehensive stress testing program to identify events or influences that could greatly impact them.

2. Stress scenarios of PDs need to cover a range of factors than can create extraordinary losses or gains in trading portfolios, or make the control of risk in those portfolios very difficult. These factors include low-probability events in all major types of risks, including the various components of market, credit and operational risks.

3. Stress test of PDs should be both of a quantitative and qualitative nature, incorporating both market risk and liquidity aspects of market disturbances. Quantitative criteria should identify plausible stress scenarios to which PDs could be exposed. Qualitative criteria should emphasize that two major goals of stress testing are to evaluate the capacity of the PD's capital to absorb potential large losses and to identify steps the PD can take to reduce its risk and conserve capital. This assessment is integral to setting and evaluating the PD's management strategy and the results of stress testing should be regularly communicated to senior management and, periodically, to the Board of the PD.

4. PDs should combine the standard stress scenarios with stress tests developed by PDs themselves to reflect their specific risk characteristics. Specifically, RBI may ask PDs to provide information on stress testing in three broad areas as discussed below.

(a) Scenarios requiring no simulations by a PD

PDs should have information on the largest losses experienced during the reporting period available for RBI's review. This loss information could be compared to the level of capital that results from a PD's internal measurement system. For example, it could provide RBI with a picture of how many days of peak day losses would have been covered by a given VaR estimate.

(b) Scenarios requiring a simulation by a PD

PDs should subject their portfolios to a series of simulated stress scenarios and provide RBI with the results. These scenarios could include testing the current portfolio against past periods of significant disturbance, incorporating both the large price movements and the sharp reduction in liquidity associated with these events. A second type of scenario would evaluate the sensitivity of the PD's market risk exposure to changes in the assumptions about volatilities and correlations. Applying this test would require an evaluation of the historical range of variation for volatilities and correlations and evaluation of the PD's current positions against the extreme values of the historical range. Due consideration should be given to the sharp variation that at times has occurred in a matter of days in periods of significant market disturbance.

(c) Scenarios developed by a PD to capture the specific characteristics of its portfolio

In addition to the scenarios prescribed by RBI under (a) and (b) above, a PD should also develop its own stress tests which it identified as most adverse based on the characteristics of its portfolio. PDs should provide RBI with a description of the methodology used to identify and carry out stress testing under the scenarios, as well as with a description of the results derived from these scenarios.

The results should be reviewed periodically by senior management and should be reflected in the policies and limits set by management and the Board. Moreover, if the testing reveals particular vulnerability to a given set of circumstances, the RBI would expect the PD to take prompt steps to manage those risks appropriately (e.g. by reducing the size of its exposures).

B.5 External Validation

PDs should get the internal model validated by external auditors, including at a minimum, the following:

(a) Verifying that the *internal validation processes* described in B.1(h) are operating in a satisfactory manner.

(b) Ensuring that the *formulae* used in the calculation process as well as for the pricing of complex instruments are validated by a qualified unit, which in all cases should be independent from the trading desks.

(c) Checking that the *structure* of internal model is adequate with respect to the PD's activities and geographical coverage.

(d) Checking the results of the PD's back testing of its internal measurement system (i.e. comparing VaR estimates with actual profits and losses) to ensure that the model provides a reliable measure of potential losses over time. PDs should make the results as well as the underlying inputs to their VaR calculations available to the external auditors.

(e) Making sure that data flows and processes associated with the risk measurement system are *transparent and accessible.* In particular, it is necessary that auditors are in a position to have easy access, wherever they judge it necessary and under appropriate procedures, to the model's specifications and parameters.

Annex IX

BACK TESTING

“Back Testing” mechanism to be used in conjunction with the internal risk based model for market risk capital charge

The following are the parameters of the back testing framework for incorporating into the internal models approach to market risk capital requirements.

2. PDs that have adopted an internal model-based approach to market risk measurement are required routinely to compare daily profits and losses with model-generated risk measures to gauge the quality and accuracy of their risk measurement systems. This process is known as "back testing". The objective is the comparison of actual trading results with model-generated risk measures. If the comparison uncovers sufficient differences, there may be problems, either with the model or with the assumptions of the back test.

3. **Description of the back testing framework**

3.1 The back testing program consists of a periodic comparison of the PD’s daily VaR measures with the subsequent daily profit or loss (“trading outcome”). Comparing the risk measures with the trading outcomes simply means that the PD counts the number of times that the risk measures were larger than the trading outcome. The fraction actually covered can then be compared with the intended level of coverage to gauge the performance of the PD’s risk model.

3.2 Under the VaR framework, the risk measure is an estimate of the amount that could be lost on a set of positions due to general market movements over a given holding period, measured using a specified confidence level. The back tests are applied to compare whether the observed percentage of outcomes covered by the risk measure is consistent with a 99% level of confidence. That is, back tests attempt to determine if a PD’s 99th percentile risk measures truly cover 99% of the firm’s trading outcomes.

3.3 Significant changes in portfolio composition relative to the initial positions are common at end of trading day. For this reason, the back testing framework suggested involves the use of risk measures calibrated to a one-day holding period. A more sophisticated approach would involve a detailed attribution of income by source, including fees, spreads, market movements, and intra-day trading results.

3.4 PDs should perform back tests based on the hypothetical changes in portfolio value that would occur; presuming end-of-day positions remain unchanged.

3.5 Back testing using actual daily profits and losses is also a useful exercise since it can uncover cases where the risk measures are not accurately capturing trading volatility in spite of being calculated with integrity.

3.6 PDs should perform back tests using both hypothetical and actual trading outcomes. The steps involve calculation of the number of times the trading outcomes are not covered by the risk measures ("exceptions"). For example, over 200 trading days, a 99% daily risk measure should cover, on average, 198 of the 200 trading outcomes, leaving two exceptions.

3.7 The back testing framework to be applied entails a formal testing and accounting of exceptions on a quarterly basis using the most recent twelve months as on date. PDs may however base the back test on as many observations as possible. Nevertheless, the most recent 250 trading days' observations should be used for the purposes of back testing. The usage of the number of exceptions as the primary reference point in the back testing process is the simplicity and straightforwardness of this approach.

3.8 Normally, in view of the 99% confidence level adopted, 2.5 exceptions may be acceptable in the observation period of 250 days. However, in Indian context, a level of 4 exceptions would be acceptable to consider the model as accurate. Exceptions above this, would invite supervisory actions. Depending on the number of exceptions generated by the PD's back testing model, both actual as well as hypothetical, RBI may initiate a dialogue regarding the PD's model, enhance the multiplication factor, may impose an increase in the capital requirement or disallow use of the model as indicated above depending on the number of exceptions.

3.9 In case large number of exceptions is being noticed, it may be useful for the PDs to dis-aggregate their activities into sub sectors in order to identify the large exceptions on their own. The reasons could be of the following categories:

a) **Basic integrity of the model**

(i) The PD's systems simply are not capturing the risk of the positions themselves (e.g. the positions of an office are being reported incorrectly).

(ii) Model volatilities and/or correlations were calculated incorrectly (e.g. the computer is dividing by 250 when it should be dividing by 225).

b) Model's accuracy could be improved

The risk measurement model is not assessing the risk of some instruments with sufficient precision (e.g. too few maturity buckets or an omitted spread).

Bad luck or markets moved in fashion unanticipated by the model

(i) Random chance (a very low probability event).

(ii) Markets moved by more than the likely prediction of the model (i.e. volatility was significantly higher than expected).

(iii) Markets did not move together as expected (i.e. correlations were significantly different than what was assumed by the model).

d) **Intra-day trading**

There was a large (and money-losing) change in the PD's position or some other income event between the end of the first day (when the risk estimate was calculated) and the end of the second day (when trading results were tabulated).

Annex X

Format - PDR IV Return

Name of the Primary Dealer :

Quarterly return on select Financial & Balance Sheet indicators for quarter ended

(Rs. in crore)

I. BALANCE SHEET INDICATORS	Quarter ended (cumulative)	Previous Quarter
SOURCES OF FUNDS		
Share Capital		
Reserves & Surplus		
Deposits, if any		
Secured loans		
Unsecured loans		
TOTAL		
APPLICATION OF FUNDS		
Fixed Assets		
a) Tangible asset		
Gross Block (a+b)		
less Depreciation		
Net block		
b) In tangible asset		
Add Capital work in progress		
Investments		
a. Govt. Securities		
1. Dated GOI securities		
2. State Govt. Securities		
3. T-bills		
b. Others (Specify)		
Current Assets, Loans and Advances		
(A) Current Assets		
Accrued Interest		
Stock-in-Trade:		
i) T bills 91 days		
ii) T bills 182 days		
iii) T bills 364 days		
iv) CMBs		
v) Dated G-Sec		
vi) IIBs		
vii) CDs		
viii) CPs		
ix) Corporate bonds & Debentures		
x) Equity shares		
xi) Others		
Sundry Debtors		
Other Assets		
Cash& Bank balance		
(B) Loans & Advances		

Less:		
Other Current Liabilities		
Provisions		
Net Current Assets		
Deferred Tax		
Miscellaneous Expenses not written off		
Others (specify)		
TOTAL		

<u>**II. P& L INDICATORS**</u>	Quarter ended (cumulative)	Previous Quarter
INCOME		
Discount Income		
1. G-sec		
2. CPs		
3. CDs		
4.Others		
Interest Income		
1. G-sec(excluding IIBs)		
2. IIBs		
3. Call/Term		
4. Repo		
5.Corporate Bonds		
6. Others		
Trading Profits		
1.G-sec (excluding IIBs)		
2. IIBs		
3.CPs,		
4.CDs		
5.Derivatives		
6.Others		
Other Income		
1. G-sec		
2. Others (specify)		
TOTAL INCOME		
EXPENDITURE		
Interest Expenses		
1. Call/Term		
2. Repo		
3. Borrowing from RBI		
4.CBLO		
5. Others		

Operating Expenses **Establishment & Administrative Expenses** **Provisions against doubtful assets** **Depreciation on Fixed Assets** **Other expenses (specify)** **TOTAL EXPENDITURE** MTM: Loss or Gain **PROFIT BEFORE TAX** Less: a. provision for taxation b. deferred tax **PROFIT AFTER TAX**		
III. FINANCIAL INDICATORS **Certain Key Figures**		
Dividend paid/proposed Retained earnings Average Earning assets Average Non-earning assets *** Average total assets 1. Average dated G-sec (Central and State) 2. Average T-Bills 3. Other average assets **** Average Interest bearing liabilities 1. Call borrowing 2. Repo 3. Borrowing from RBI 4. Others Average yield on assets (Total interest income/Average Earning Assets) Average cost of funds (Total interest expended/Average interest bearing liabilities) Net interest income Non-interest income Non-interest expenditure Net total income **Measures of Return** **Return on Assets** Before tax (PBT/Ave.Total Assets) After tax (PAT/Ave.Total Assets) **Return on average Equity**		

Before tax (PBT/Ave.Equity) After tax (PAT/Ave.Equity) **Return on Capital Employed** Before tax (PBT/(Owners' Equity+Total Debt)) After Tax (PAT/(Owners' Equity+Total Debt)) **Net Margin Analysis** Net Margin (PAT/Total Income) Interest expenses/Total income		
IV. PERFORMANCE INDICATORS	Quarter ended (cumulative)	Previous Quarter
NOF (Rs. in crore)		
CRAR (as %) Average duration of the Portfolio (in years) Average leverage (as ratio) Effect of 1% shock in yields on portfolio value (Rs. in crore) MTM value of all securities (Rs. in crore) a. T bill 91 days b. T bill 182 days c. T bill 364 days d. CMBs e. Dated G- Sec f. IIBs g. CPs h. CDs i. Corporate bonds ***** j. Others		

Notes:

1. The details of share capital, reserves, etc. may be enclosed as Annexes.
2. Where average figures are involved, it may be taken to mean as average of month end balances.

*** Average assets refer to the simple average of month end book balance.

**** Average liabilities refer to the simple average of month end book balance.

***** Before adjusting Repo transactions and MTM depreciation on IRS transactions.

Signature

Annex XI

Publication of Financial Results

Name of Primary Dealer

Audited Financial Results for the year ended March 31, ………

Sources of Funds

- Capital
- Reserves and Surplus
- Loans
  - Secured
  - Unsecured
  - (of which call money borrowings)

Application of Funds

- Fixed Assets
- Investments
  - Government Securities (inclusive of T-Bills & CMBs)
  - Commercial Papers
  - Corporate Bonds
- Loans and Advances
  - (of which call money lendings)
- Non-Current Assets
- Others

Profits and Loss account

- Income (business segment wise)
  - Interest
  - Discount
  - Trading Profit
- Expenses
  - Interest
  - Administrative Costs
- Profit before tax
- Net Profit

Regulatory Capital required (as per Master Direction for SPDs)
Actual Capital
Return on Net Worth

Notes on Accounts:

Annex XII

Monthly Return on Interest Rate Risk of Rupee Derivatives **As at end-month**		
Name of the Bank/Institution:	***(Rs. In Cr)***	
1. Cash Bonds	***Market Value***	***PV01***
(a)	***(b)***	***(c)***
(a) HFT		*(See Note 1)*
(b) AFS		*(See Note 1)*
(c) HTM		*(See Note 1)*
Total [(a) to (c) above]		
2. Rupee Interest Rate Derivatives	***Notional Amount (Rs. in Crore)***	***PV01(Rs. in Crore)***
(a) Bond Futures		*(See Note 1)*
(b) MIBOR (OIS)		*(See Note 2)*
(c) MIFOR		*(See Note 2)*
(d) G-Sec benchmarks		*(See Note2)*
(e) Other benchmarks (Please report separately)		*(See Note 2&4)*
(f) Forward Rate Agreements		*(See Note 3)*
Total [(a) to (f) above]		
3. Grand Total of (1) & (2)		
4. Tier I Capital		

Note 1. PV01 may be taken as POSITIVE for long positions and NEGATIVE for short positions.
Note 2. PV01 may be taken as POSITIVE if receiving a swap and NEGATIVE if paying a swap.
Note 3. For FRAs, use the PVO1 of the underlying deposit/instrument.
Note 4. In 2 (e) above, swaps on other benchmarks such as LIBOR may be reported separately for each benchmark

Annex XIII

List of circulars consolidated

No	Circular no	Date	Subject
1	IDMC.PDRS.1532 /03.64.00/1999-00	November 2, 1999	Primary Dealers – Leverage
2	IDMC.PDRS.2049A /03.64.00/1999-2000	December 31,1999	Guidelines on Securities transactions to be followed by Primary Dealers
3	IDMC.PDRS.5122 /03.64.00/1999-00	June 14, 2000	Guidelines on Securities Transactions by Primary dealers
4	IDMC.PDRS.4135 /03.64.00/2000-01	April 19, 2001	Scheme for Bidding, Underwriting and Liquidity support to Primary Dealers
5	IDMC.PDRS.87 /03.64.00/2001-02	July 5, 2001	Liquidity support to Primary Dealers
6	IDMC.PDRS.1382 /03.64.00/2000-01	September 18, 2001	Dematerialised holding of bonds and debentures
7	IDMC.PDRS.3369 /03.64.00/2001-02	January 17, 2002	Guidelines on Counter party limits and Inter-corporate deposits
8	IDMC.PDRS.4881 /03.64.00/2001-02	May 8, 2002	Guidelines to Primary Dealers
9	IDMC.PDRS.5018 /03.64.00/2001-02	May 17, 2002	Scheme for Bidding, Underwriting and liquidity support to Primary dealers
10	IDMC.PDRS.5039 /03.64.00/2001-02	May 20, 2002	Transactions in Government securities
11	IDMC.PDRS.5323 /03.64.00/2001-02	June 10, 2002	Transactions in Government securities
12	IDMC.PDRS. 418 /03.64.00/2002-03	July 26, 2002	Publication of Financial results
13	IDMC.PDRS.1724 /03.64.00/2002-03	October 23, 2002	Underwriting of Government dated securities by Primary Dealers
14	IDMC.PDRS.2269 /03.64.00/2002-03	November 28, 2002	Publication of Financial results
15	IDMC.PDRS.2896 /03.64.00/2002-03	January 14, 2003	Trading in Government securities on Stock Exchanges
16	IDMC.PDRS.3432 /03.64.00/2002-03	February 21, 2003	Ready Forward Contracts
17	IDMC.PDRS.3820 /03.64.00/2002-03	March 24, 2003	Availment of FCNR(B) loans by Primary Dealers
18	IDMC.PDRS.1 /03.64.00/2002-03	April 10, 2003	Portfolio Management Services by Primary Dealers – Guidelines
19	IDMC.PDRS.4802 /03.64.00/2002-03	June 3, 2003	Guidelines on Exchange Traded Interest Rate Derivatives
20	IDMC.PDRS.122 /03.64.00/2002-03	September 22, 2003	Rationalisation of returns submitted by Primary Dealers
21	IDMD.PDRS.No.3 /03.64.00/2003-04	March 08, 2004	Prudential guidelines on investment in non-Government securities
22	IDMD.PDRS.05 /10.02.01/2003-04	March 29, 2004	Transactions in Government Securities
23	IDMD.PDRS.06 /03.64.00/2003-04	June 03, 2004	Declaration of dividend by Primary Dealers
24	IDMD.PDRS.01 /10.02.01/2004-05	July 23, 2004	Transactions in Government securities
25	IDMD.PDRS.02 /03.64.00/2004-05	July 23, 2004	Success Ratio in Treasury Bill auctions for Primary Dealers
26	RBI/2004-05/136 – IDMD.PDRS.No.03	August 24, 2004	Dematerialization of Primary Dealer's investment in equity

	/10.02.16/2004-05		
27	RBI/2005/459 IDMD.PDRS.4783 /10.02.01/2004-05	May 11, 2005	Government Securities Transactions – T+1 settlement
28	RBI/2005/460 IDMD.PDRS.4779 /10.02.01/2004-05	May 11, 2005	Ready Forward Contracts
29	RBI/2005/474/IDMD.PDRS/4907/03.64.00/2004-05	May 19, 2005	Conduct of Dated Government Securities Auction under Primary Market Operations (PMO) module of PDO-NDS – Payment of Underwriting Commission
30	RBI/2005-06/73 IDMD.PDRS.337 /10.02.01/2005-06	July 20, 2005	Transactions in Government Securities
31	RBI/2005-06/132 IDMD.No.766/10.26.65A /2005-06	August 22, 2005	NDS-OM – Counterparty Confirmation
32	RBI/2005-06/308 DBOD.FSD.BC.No.64/24.92.01/2005-06	February 27, 2006	Guidelines for banks' undertaking PD business
33	RBI/2006-07/49 IDMD.PDRS/26/03.64.00/2006-07	July 4, 2006	Diversification of activities by standalone Primary Dealers-Operational Guidelines
34	RBI/2006-2007/298 FMD.MOAG No.13 /01.01.01/2006-07	March 30, 2007	Liquidity Adjustment Facility – Acceptance of State Development Loans under Repos
35	RBI/2007-08/104 IDMD.530/03.64.00/2007-08	July 31, 2007	FIMMDA Reporting Platform for Corporate Bond Transactions
36	DBOD.FSD.BC.No. 25/24.92.001 /2006-07	August 9, 2006	Guidelines for banks undertaking PD business
37	RBI/2006-07/140 IDMD.PDRS.1431 /03.64.00/2006-07	October 5, 2006	Operational guidelines for banks undertaking/proposing to undertake PD business
38	IDMD/11.08.15/809 /2007-08	August 23, 2007	Reporting platform for OTC Interest Rate Derivatives
39	RBI/2007-2008/186 IDMD.PDRS.No.2382/03.64.00/2007-08	November 14, 2007	Revised Scheme of Underwriting Commitment and Liquidity Support
40	RBI/2008-09/187 IDMD.PDRD.1393 / 03.64.00/ 2008-09	September 19, 2008	Settlement of Primary Auctions – Shortage of Funds
41	RBI/2009-10/136 IDMD.PDRD.1050/ 03.64.00/2009-10	August 31, 2009	Investment Portfolio of Primary Dealers-Relaxation in the existing norms
42	RBI/2009-10/144 IDMD.PDRD.1097 /03.64.00/2009-10	September 2, 2009	Enhancement of Minimum Net Owned Funds
43	RBI/2009-10/143 IDMD.PDRD.1096 /03.64.00/2009-10	September 2, 2009	Increase in Call/Notice Money Borrowing Limit
44	RBI/2009-10/242 IDMD.PDRD.2424 /03.64.00/2009-10	December 1, 2009	Waiver of trade confirmation in Government Securities transactions in OTC market

45	RBI/2009-10/343 IDMD.PDRD.3843 /03.64.00/2009-10	March 9, 2010	Extension of HTM Category for PDs
46	RBI/2009-10/394 IDMD.PDRD.4537 /03.64.00/2009-10	April 12, 2010	Quantum of Government securities to be held in the HTM category by PDs
47	RBI /2009-10 / 496 IDMD.PDRD.5533 /03.64.00/2009-10	June 15, 2010	Primary Dealers – Imposition of Penalties – Disclosure
48	RBI/2009-10 / 497 IDMD.PDRD.5573 /03.64.00/2009-10	June 17, 2010	Cash Management Bills – Bidding Commitment and Success Ratio
49	RBI / 2010 -11/142 IDMD.PDRD.No.19 /03.64.00/2010-11	July 27, 2010	Applicability of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 to Primary Dealers
50	RBI/2010-11/224 IDMD.PCD.No. 20 /14.03.05/2010-11	October 1, 2010	Raising resources through Inter Corporate Deposits (ICDs)
51	RBI/2010-11/270 IDMD. PCD.No.1652 /14.03.05/2010-11	November 11, 2010	Exposure Norms: Applicability of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 to standalone Primary Dealers
52	RBI/2010-11/401 IDMD. PCD.No. 26 /14.03.05/2010-11	February 10, 2011	Investment in non-Government Securities-Non-Convertible Debentures (NCDs) of maturity up to one year by standalone Primary Dealers (PDs).
53	RBI/2010-11/438 IDMD.PDRD.No. 3961/03.64.00/ 2010-11	March 18, 2011	FIMMDA accredited brokers for transactions in OTC Interest Rate Derivatives Market.
54	RBI/2011-12/162 IDMD.PCD. 9 /14.03.05/2011-12	August 30, 2011	Authorisation Guidelines for Primary Dealers (PDs)
55	RBI/2010-11/542 IDMD.PCD.No. 5053/14.03.04/2010-11	May 23, 2011	Guidelines on Credit Default Swaps (CDS) for Corporate Bonds
56	RBI/2011-12/108 IDMD.PCD.06/14.03.07/ 2011-12	July 06, 2011	Transactions in Government Securities-Extension of DVP III facility to Gilt Account holders
57	IDMD.PDRD.No. 3464/06.64.00/2011-12	March 07, 2012	Bidding in Primary Auctions-Clarification
58	RBI/2011-12/157/IDMD.PCD.08/14.03.03/2011-12	August 23, 2011	Issuance of Non -Convertible Debentures (NCDs)-Minimum Rating of NCDs
59	RBI/2011-12/162/IDMD.PCD.9/14.03.05/2011-12	August 30, 2011	Authorisation Guidelines for Primary Dealers (PDs)

60	RBI/2011-12/324/IDMD.PCD.14/14.03.07/2011-12	December 28, 2011	Secondary market transactions in Government Securities-Short Selling
61	RBI/2011-12/330/IDMD.PCD.17/14.03.01/2011-12	December 30, 2011	Exchange-traded Interest Rate Futures
62	IDMD.PCD.15/ED (RG)-2011	December 30, 2011	Interest Rate Futures (Reserve Bank) (Amendment) Directions, 2011
63	RBI/2011-12/387/IDMD.PCD.19/14.03.07/2011-12	February 06, 2012	Transactions in Government Securities
64	RBI/2011-12/615/IDMD.PCD.21/14.03.07/2011-12	June 21, 2012	Secondary market transactions in Government Securities-Short Selling
65	RBI/2012-13/133/ IDMD.PDRD.188 /03.64.00/2012-13	July 16, 2012	Sale of securities allotted in Primary issues on the same day
66	RBI/2012-13/189/ IDMD.PCD.No.718/14.03.05/2012-13	September 3, 2012	Applicability of credit exposure norms for bonds guaranteed by the Government of India
67	RBI/2012-13/412/ IDMD.PCD.No.2310 /14.03.05/2012-13	February 06, 2013	Permission to standalone PDs for membership in SEBI approved Stock Exchanges for trading in corporate bonds
68	RBI/2012-13/494/ IDMD.PDRD.No. 3089/ 03.64.027/ 2012-13	May 08, 2013	Submission of Undertaking: Renewal of Authorisation
69	RBI/2012-13/549 IDMD.PCD.13 /14.03.07/2012-13	June 26, 2013	Guidelines on Securities Transactions to be followed by Primary Dealers
70	RBI/2013-14/168 IDMD.PDRD.No. 346 / 10.02.23 / 2013-14	July 31, 2013	Revised PD returns for Primary Dealers
71	RBI/2013-14/243 IDMD.PDRD.No. 828/ 03.64.00 / 2013-14	September 10, 2013	Increase in HTTM limits for Standalone PDs
72	RBI/2013-14/541 IDMD.PCD. 12/14.03.05/ 2013-14	March 27, 2014	Exposure norms for standalone PDs
73	RBI/2013-14/630 IDMD.PDRD.No. 3404/03.64.000/2013-14	June 5, 2014	Annual Turnover Target on behalf of Mid-segment and Retail investors for Primary Dealers (PDs)
74	IDMD.PDRD.No.7/03.64.00/2014-15	December 15, 2014	Decrease in Held to Maturity (HTM) limits for Standalone PDs
70	IDMD Mailbox	January 19, 2012	Maintenance of Distinct PD Book
71	IDMD Mailbox	February 06, 2012	Secondary Market Transactions in Government Securities-Short Selling
72	IDMD Mailbox	February 28, 2012	Investment in Cash Management Bills by Foreign Institutional Investors

Annex XIV

List of circulars referred

Sr. No.	Circular no.	Date	Subject
1	IDMC No.PDRS./2049A/03.64.00/99-2000	December 31, 1999	Guidelines on Securities Transactions to be followed by Primary Dealers
2	RBI/2004/51DNBS (PD)C.C.No.35/10.24/2003-04	February 10, 2004	Entry of NBFCs into Insurance Business
3	RBI/2005/461 IDMD.PDRS.4777/10.02.01/2004-05	May 11, 2005	Sale of securities allotted in Primary issues
4	RBI/2005-06/309 IDMD.No.03/11.01.01(B)/2005-06	February 28, 2006	Secondary Market Transactions in Government Securities - Intra-day short-selling
5	RBI-2005-06/352 DNBS(PD). CC 68 /03.10.042/2005-06	April 5, 2006	Prevention of Money Laundering Act, 2002 - Obligations of NBFCs in terms of Rules notified there under
6	RBI/2006-07/178 IDMD.No.2130/11.01.01(D)/2006-07	November 16, 2006	When Issued (WI)' transactions in Central Government Securities
7	RBI/2006-07/243 IDMD.No./11.01.01(B)/2006-07	January 31, 2007	Secondary Market Transactions in Government Securities - Short-selling
8	RBI/2006-2007/333 DBOD.No.BP.BC. 86/21.04.157/2006-07	April 20, 2007	Comprehensive Guidelines on Derivatives
9	RBI/2006-2007/385 DNBS.PD/CC 94/03.10.042/2006-07	May 8, 2007	Guidelines on Corporate Governance
10	RBI/2007-2008/104 IDMD. 530 /03.64.00/ 2007-08	July 31, 2007	FIMMDA Reporting Platform for Corporate Bond Transactions
11	RBI /2007-2008/220 IDMD.DOD.No.3165 /11.01.01(B)/ 2007-08	January 1, 2008	Secondary Market Transactions in Government Securities - Short-selling
12	RBI/2007-08/335 IDMD.DOD.No. 5893 /10.25.66/ 2007-08	May 27, 2008	NDS – Order Matching (OM) System – Access through the CSGL Route
13	RBI/2008-09/479 IDMD.No.5877/08.02.33/2008-09	May 22, 2009	Auction Process of Government of India Securities
14	RBI/2009-10/141 IDMD.PDRD.No. 1056/03.64.00/2009-10	September 1, 2009	Guidelines on Exchange Traded Interest Rate Derivatives
15	RBI/2009-10/184 IDMD No.1764 /11.08.38/2009-10	October 16, 2009	Settlement of OTC transactions in corporate bonds on DvP-I basis
16	RBI/2009-10/284 IDMD.DOD.No.05/11.08.38/2009-10	January 8, 2010	Ready Forward Contracts in Corporate Debt Securities
17	RBI/2009-10/356 IDMD/4135/11.08.43/2009-10	March 23, 2010	Guidelines for Accounting of Repo / Reverse Repo Transactions
18	RBI/2009-10/360 IDMD.DOD.no.7/11.01.09/2009-10	March 25, 2010	Guidelines on Stripping/Reconstitution of Government Securities
19	RBI/2009-10/505 IDMD.DOD.10/11.01.01(A)/2009-10	June 23, 2010	Issuance of Non-Convertible Debentures (NCDs)
20	RBI/2010-2011/115 IDMD. DOD.17/11.01.01(B)/2010-11	July 14, 2010	Government Securities Act, 2006, Sections 27 & 30 - Imposition of penalty for bouncing of SGL forms
21	RBI/2010-11/268 IDMD.PCD.22/11.08.38/2010-11	November 9, 2010	Ready Forward Contracts in Corporate Debt Securities
22	RBI/2010-11/299 IDMD.PCD.No. 24/14.03.03/2010-11	December 06, 2010	Issuance of Non-Convertible Debentures (NCDs)
23	RBI/2011-12/324 IDMD.PCD.14/14.03.07/2011-12	December 28, 2011	Secondary Market transactions in Government Securities- Short selling
24	RBI/2010-11/542 IDMD.PCD.No. 5053/14.03.04/2010-11	May 23, 2011	Guidelines on Credit Default Swaps (CDS) for Corporate Bonds

25	RBI/2011-12/157/IDMD.PCD.08/14.03.03/2011-12	August 23, 2011	Issuance of Non -Convertible Debentures (NCDs)-Minimum Rating of NCDs
26	RBI/2011-12/162/IDMD.PCD.9/14.03.05/2011-12	August 30, 2011	Authorisation Guidelines for Primary Dealers (PDs)
27	RBI/2011-12/324/IDMD.PCD.14/14.03.07/2011-12	December 28, 2011	Secondary market transactions in Government Securities-Short Selling
28	RBI/2011-12/330/IDMD.PCD.17/14.03.01/2011-12	December 30, 2011	Exchange-traded Interest Rate Futures
29	IDMD.PDRD.No.3464/06.64.00/2011-12	March 07, 2012	Bidding in Primary Auctions-Clarification
30	RBI/2011-12/615/IDMD.PCD.21/14.03.07/2011-12	June 21, 2012	Secondary market transactions in Government Securities-Short Selling
31	RBI/2012-13/365/ IDMD.PCD.09/14.03.02/2012-13	January 7, 2013	Revised Guidelines on Ready Forward Contracts in Corporate Debt Securities
32	RBI/2012-13/366/ IDMD.PCD.10/14.03.04/2012-13	January 7, 2013	Revised Guidelines on Credit Default Swaps (CDS) for Corporate Bonds
33	RBI/2012-13/405/IDMD.PCD.No.2223/ 14.03.05 /2012-13	January 30, 2013	Measures to enhance the role of standalone Primary Dealers in Corporate Bond Market
34	RBI/2012-13/550 IDMD.PCD.11 /14.03.06/2012-13	June 26, 2013	Settlement of OTC transactions in Corporate Bonds on DvP-I basis
35	RBI/2013-14/400 FMD.MSRG.No. 94 /02.05.002/2013-14	December 4, 2013	Reporting platform for OTC foreign exchange and Interest Rate Derivatives
36	RBI/2013-14/402 IDMD.PCD. 08/14.03.01/2013-14	December 5, 2013	Exchange-Traded Interest Rate Futures
37	RBI/2013-14/410 IDMD.PCD.09 /14.03.01/2013-14	December 19, 2013	Participation in Exchange Traded Interest Rate Futures
38	RBI/2013-14/500 IDMD.PCD.10 /14.03.06/ 2013-14	February 24, 2014	FIMMDA's Trade Reporting and Confirmation platform for OTC transactions in Corporate Bonds and Securitized Debt Instruments
39	IDMD.PCD.06/14.03.07/2014-15	September 30, 2014	Secondary market transactions in Government Securities - Short Selling
40	FMRD.FMID.01/14.01.02/2014-15	December 19, 2014	F-TRAC – Counterparty Confirmation
41	FMRD.DIRD.02/14.03.007/2014-15	December 24, 2014	Secondary Market Transactions in Government Securities – Short Selling
42	FMRD.DIRD.04/14.03.002/2014-15	February 03, 2015	Repo in Corporate Debt Securities (Reserve Bank) Directions, 2015
43	FMRD.DIRD.5/14.03.002/2014-15	February 05, 2015	Re-repo in Government Securities Market
44	FMRD.DIRD.06/14.03.007/2014-15	March 20, 2015	T+2 settlements for outright secondary market transactions in Government Securities undertaken by Foreign Portfolio Investors and reported on NDS-OM
45	DNBR.(PD).CC.No. 033/03.10.001/2014-15	April 30, 2015	Distribution of Mutual Fund products by NBFCs
46	FMRD.DIRD.5/14.03.007/2015-16	October 29, 2015	Secondary Market Transactions in Government Securities – Short Selling

47	FMRD.DIRD.06/14.03.07/2015-16	December 10, 2015	When Issued transactions in Central Government Securities
48	FMRD.FMD.No. 02.03.183/7/2015-16	March 17, 2016	Participation of Standalone Primary Dealers in Currency Futures Market
49	DNBR.CO.PD.No.080/03.10.01/ 2015-16	April 28, 2016	Risk Weight in respect of investments in Corporate Bonds by Standalone Primary Dealers (SPDs)
50	FMRD.FMID.8/14.01.02/2015-16	April 28, 2016	F-TRAC – Counterparty Confirmation
51	FMRD.DIRD.10/14.03.002/2015-16	May 19, 2016	Repo / Reverse Repo Transactions with RBI