

## **Auction for Sale of Government Stock of 10 Years**

**GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
(Department of Economic Affairs)  
(Budget Division)**

New Delhi, the April 2, 2002

### **NOTIFICATION**

#### **Auction for Sale of Government Stock of 10 Years**

F. No.4(9)-W&M/2002(1): Government of India hereby notifies sale of Government Stock (securities) of 10-Year tenure for an aggregate amount of Rs. 4,000 crore (nominal). The sale will be subject to the terms and conditions spelt out in this notification (called 'Specific Notification') as also the terms and conditions specified in the General Notification F.No.4(2) –W&M /97, dated 1<sup>st</sup> April,1997 issued by Government of India as amended by Notification F.No. 4(7) – W&M/99, dated 5<sup>th</sup> April,1999 in so far as it is not inconsistent with the terms and conditions spelt out in this Specific Notification.

#### **Method of Issue**

2. (i) The Government Stock will be sold through the Reserve Bank of India, Mumbai office, Fort, Mumbai – 400 001 by yield based auction using “Uniform Price Auction” method.

(ii) Under “Uniform Price Auction” method, competitive bids offered with rates up to and including the maximum rate of yield, as determined by the Reserve Bank of India, will be accepted at the maximum rate of yield so determined. Bids quoted higher than the maximum rate of yield as determined by the Reserve Bank of India will be rejected.

#### **Allotment to Non-competitive Bidders**

3. Government Stock up to 5 % of the notified amount of the sale will be allotted to eligible individuals and Institutions as per the enclosed Scheme for Non-competitive Bidding Facility in the Auctions of Government Securities.

#### **Place and Date of Auction**

4. The auction will be conducted by the Reserve Bank of India, Mumbai office, Fort, Mumbai – 400 001 on April 4, 2002. The application form duly filled in with the bids should be submitted to the aforesaid Office on April 4, 2002, before the close of banking hours.

#### **Tenure**

5. The Government Stock will be of ten years tenure. The tenure of the Stock will commence from April 5, 2002. The Stock will be repaid at par on April 5, 2012.

#### **Date of issue and payment for the Stock**

6. The result of the auction shall be displayed by the Reserve Bank of India at its Fort Mumbai Office on April 4, 2002. The payment by successful bidders will be on

By Order of the President of India

SD/-  
(D. Swarup)  
Additional Secretary (Budget)

RESERVE BANK OF INDIA  
INTERNAL DEBT MANAGEMENT CELL

**Scheme for Non-competitive Bidding Facility in the Auctions  
of Government Securities**

I. Scope : With a view to encouraging wider participation and retail holding of Government securities it is proposed to allow participation on “*non-competitive*” basis in *select* auctions of dated Government of India securities. Accordingly, non-competitive bids *up to 5 percent* of the notified amount will be accepted in the auctions of dated securities. The reserved amount will be **within** the notified amount.

**II. Eligibility: Participation on a non-competitive basis in the auctions of dated GOI securities will be open to investors who satisfy the following:**

1. do not maintain current account (CA) *or* Subsidiary General Ledger (SGL) account with the Reserve Bank of India.  
*Exceptions:* Regional Rural Banks (RRBs), Urban Cooperative Banks (UCBs) and Non-banking Financial Companies (NBFCs) shall be covered under this Scheme in view of their statutory obligations. They shall also be eligible to submit their non competitive bids directly.
2. make a *single* bid for an amount not more than Rs.one crore (face value) per auction
3. submit their bid *indirectly* through any *one* bank or PD offering this scheme.

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

**IV. Other Operational Guidelines:**

1. It will not be mandatory for the retail investor to maintain a constituent

2. Each bank or PD on the basis of *firm* orders submit a single *customer bid* for the aggregate amount on the day of the auction. Details of individual customers viz. name, amount, etc shall be provided as an Annexure to the bid.

3. Allotment under the non-competitive segment to the bank or PD will be at the weighted average rate of yield/price that will emerge in the auction on the basis of the competitive bidding. The securities will be issued to the bank or PD against payment on the date of issue irrespective of whether the bank or PD has received payment from their clients.

4. In case the aggregate amount of bid is more than the reserved amount (5% of notified amount), pro rata allotment would be made. In case of partial allotments, it will be the responsibility of the bank or PD to appropriately allocate securities to their clients in a transparent manner.

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

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

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

8. The bank or PD can recover upto six paise per Rs.100 as brokerage/commission/service charges for rendering this service to their clients. Such costs may be built into the sale price or recovered separately from the clients. In case the transfer of securities is effected subsequent to the issue date of the security, the consideration amount payable by the client to the bank or PD would also include accrued interest from the date of issue.

9. Modalities for obtaining payment from clients towards cost of the securities, accrued interest wherever applicable and brokerage/commission/service charges may be worked out by the bank or PD as per agreement with the client. It may be noted that no other costs such as funding costs should be built into the price or recovered from the client.

VI. The aforesaid guidelines are subject to review by the Bank and accordingly, if and when considered necessary, the Scheme will be modified.