

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

### **ANNEXURE I**

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.
2. make a *single* bid for an amount not more than Rs.one crore (face value) per auction
  - a. submit their bid *indirectly* through any *one* bank or PD offering this scheme.

Exceptions: Regional Rural Banks (RRBs), Urban Cooperative Banks (UCBs) and Non-banking Financial Companies (NBFCs) shall be eligible to submit their non competitive bids directly.

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

**IV. Other Operational Guidelines:**

1. It will *not* be mandatory for the retail investor to maintain a constituent subsidiary general ledger (CSGL) account with the bank or PD through whom they wish to participate. However, an investor can make only a single bid under this scheme. An undertaking to the effect that the investor is making only a single bid will have to be obtained and kept on record by the bank or PD.

2. Each bank or PD on the basis of *firm* orders 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.

V. Banks and PDs will be required to furnish information relating to operations under the Scheme to the Reserve Bank of India (Bank) as may be called for from time to time within the time frame prescribed by the Bank.

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

### **PRESS COMMUNIQUE**

Government of India have announced the sale (re-issue) of “9.39 percent Government Stock 2011” for a notified amount of Rs.5,000 crore through a price based auction. Government of India have also announced the sale (re-issue) of “10.18 percent Government Stock 2026” for a notified amount of Rs.2,000 crore through a price based auction. The auctions will be conducted by the Reserve Bank of India, Mumbai Office, Fort, Mumbai on August 2, 2002 (Friday) using multiple price auction method.

2. Up to 5% of the notified amount of the sale of **both the Stocks** will be allotted to eligible individuals and Institutions as per the Scheme for Non-Competitive Bidding Facility in the Auction of Government Securities.

4. Bids in the prescribed form obtainable from the Regional Director, Reserve Bank of India, Mumbai Office (Public Debt Office), Fort, Mumbai-400 001 should be submitted to that Office on August 2, 2002 during banking hours. The competitive bids by the NDS members should be submitted only in electronic format using NDS, while all the non-competitive bids should be submitted in the prescribed physical form.

5. The results of the auction will be announced on August 2, 2002 and payment by successful bidders will be during banking hours on August 5, 2002 (Monday).

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF ECONOMIC AFFAIRS  
**Dated, the 30<sup>th</sup> July, 2002**