



भारतीय रिज़र्व बैंक  
**RESERVE BANK OF INDIA**  
www.rbi.org.in

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July 2, 2012

**The Chairmen/Chief Executives of all Scheduled Commercial Banks (excluding RRBs) / Co-operative Banks / Primary Dealers**

Dear Sir/Madam,

**Master Circular on Call/Notice Money Market Operations**

The Reserve Bank of India has, from time to time, issued a number of guidelines/instructions/directives to banks and the Primary Dealers in regard to call/notice money market. To enable eligible institutions to have current instructions at one place, a Master Circular incorporating all the existing guidelines/instructions/directives on the subject has been prepared for reference of the market participants and others concerned. It may be noted that this Master Circular consolidates and updates all the instructions/guidelines contained in the circulars listed in the Appendix in so far as they relate to operations of eligible institutions in the call/notice money markets. This Master Circular has also been placed on the RBI website at [www.mastercirculars.rbi.org.in](http://www.mastercirculars.rbi.org.in).

Yours faithfully,

(K K Vohra)  
Chief General Manager

Encls. : As above

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## 1. Introduction

The money market is a market for short-term financial assets that are close substitutes of money. The most important feature of a money market instrument is that it is liquid and can be turned into money quickly at low cost and provides an avenue for equilibrating the short-term surplus funds of lenders and the requirements of borrowers. The call/notice money market forms an important segment of the Indian Money Market. Under call money market, funds are transacted on an overnight basis and under notice money market, funds are transacted for a period between 2 days and 14 days.

## 2. Participants

Participants in call/notice money market currently include scheduled commercial banks (excluding RRBs), co-operative banks (other than Land Development Banks) and Primary Dealers (PDs), both as borrowers and lenders (**Annex I**).

## 3. Prudential Limits

3.1 The prudential limits in respect of both outstanding borrowing and lending transactions in call/notice money market for scheduled commercial banks, co-operative banks and PDs are as follows:-

**Table: Prudential Limits for Transactions in Call/Notice Money Market**

| Sr. No. | Participant                | Borrowing  | Lending  |
|---------|----------------------------|--|--|
| 1       | Scheduled Commercial Banks | On a fortnightly average basis, borrowing outstanding should not exceed 100 per cent of capital funds (i.e., sum of Tier I and Tier II capital) of latest audited balance sheet. However, banks are allowed to borrow a maximum of 125 per cent of their capital funds on any day, during a fortnight. | On a fortnightly average basis, lending outstanding should not exceed 25 per cent of their capital funds. However, banks are allowed to lend a maximum of 50 per cent of their capital funds on any day, during a fortnight. |
| 2       | Co-operative Banks         | Outstanding borrowings of State Co-operative Banks/District Central Co-operative Banks/ Urban Co-op. Banks in call/notice money market, on a daily basis should not exceed 2.0 per cent of their aggregate deposits as at end March of the previous financial year.                                    | No Limit.  |
| 3       | PDs                        | PDs are allowed to borrow, on average in a reporting fortnight, up to 225 per cent of their net owned funds (NOF) as at end-March of the previous financial year.  | PDs are allowed to lend in call/notice money market, on average in a reporting fortnight, up to 25 per cent of their NOF.  |

3.2 Non-bank institutions (other than PDs) are not permitted in the call/notice money market.

## 4. Interest Rate

4.1 Eligible participants are free to decide on interest rates in call/notice money market.

4.2 Calculation of interest payable would be based on the Handbook of Market Practices brought out by the Fixed Income Money Market and Derivatives Association of India (FIMMDA).

## **5. Dealing Session**

Deals in the call/notice money market can be done upto 5.00 pm on weekdays and 2.30 pm on Saturdays or as specified by RBI from time to time.

## **6. Documentation**

Eligible participants may adopt the documentation suggested by FIMMDA from time to time.

## **7. Reporting Requirement**

7.1 All dealings in call/notice money on the Negotiated Dealing System-Call, i.e. NDS-Call (a screen-based, negotiated, quote-driven system), do not require separate reporting. It is mandatory for all members of the NDS to report their call/notice money market deals, other than those done on NDS-Call, on NDS. Deals should be reported within 15 minutes on NDS, irrespective of the size of the deal or whether the counterparty is a member of the NDS or not. In case there is repeated non-reporting of deals by an NDS member, such non-reported deals may be treated as invalid.

7.2 The reporting time on NDS is up to 5.00 pm on weekdays and 2.30 pm on Saturdays or as decided by RBI from time to time.

7.3 With the stabilisation of call/notice/term money transactions reporting, the practice of reporting call/notice/term money transactions by fax to RBI has been discontinued with effect from December 11, 2004. However, deals between non-NDS members will continue to be reported to the Financial Markets Department (FMD) of the RBI, by fax, as hitherto (**Annex II**).

7.4 In case the situation so warrants, the Reserve Bank may call for information in respect of money market transactions of eligible participants by fax.

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(See para 2)

**I. List of Institutions Permitted to Participate in the Call/Notice Money Market both as Lenders and Borrowers**

- a) Scheduled Commercial Banks (excluding Regional Rural Banks);
- b) Co-operative Banks other than Land Development Banks; and
- c) Primary Dealers.

**Daily Return on Call/Notice/Term Money Market Transactions**

To  
The Chief General Manager,  
Reserve Bank of India,  
Financial Markets Department,  
23rd Floor, Central Office,  
Mumbai-400001  
Fax-91-22-22630981

Name of the Bank/Institution : \_\_\_\_\_

Code No.(As specified by RBI) : \_\_\_\_\_

Date : \_\_\_\_\_

|   | Borrowed                 |  |  | Lent                     |  |  |
|---|--------------------------|--|--|--------------------------|--|--|
|   | Amount<br>(Rs.<br>crore) | Range<br>of<br>Interest<br>Rates<br>(% p.a.) | Weighted<br>Average<br>Interest<br>Rates<br>(% p.a.) | Amount<br>(Rs.<br>crore) | Range<br>of<br>Interest<br>Rates<br>(% p.a.) | Weighted<br>Average<br>Interest<br>Rates<br>(% p.a.) |
| 1. Call Money<br>(Overnight)                        |                          |  |  |                          |  |  |
| 2. Notice Money (2-14 Days)                         |                          |  |  |                          |  |  |
| (a) Transacted on the day                           |                          |  |  |                          |  |  |
| (b) Outstanding *<br>(including day's transactions) |                          |  |  |                          |  |  |
| 3. Term Money @                                     |                          |  |  |                          |  |  |
| (a) Transacted on the day                           |                          |  |  |                          |  |  |
| (15 Days-1 Month)                                   |                          |  |  |                          |  |  |
| (1 Month-3 Months)                                  |                          |  |  |                          |  |  |
| (3 Months-6 Months)                                 |                          |  |  |                          |  |  |
| (6 Months-1 Year)                                   |                          |  |  |                          |  |  |
| (b) Outstanding *<br>(Including day's transactions) |                          |  |  |                          |  |  |
|   | Amount<br>Borrowed       |  |  | Amount<br>Lent           |  |  |
| (15 Days-1 Month)                                   |                          |  |  |                          |  |  |
| (1 Month-3 Months)                                  |                          |  |  |                          |  |  |
| (3 Months-6 Months)                                 |                          |  |  |                          |  |  |
| (6 Months-1 Year)                                   |                          |  |  |                          |  |  |

\*In case of outstandings, rates need not be given.

@ Where applicable.

**Authorised Signatory/Signatories**

### **Definitions**

In these guidelines, unless the context otherwise requires:

1. "Call Money" means deals in overnight funds.
2. "Notice Money" means deals in funds for 2 - 14 days.
3. "Term Money" means deals in funds for 15 days-1 year.
4. "Fortnight" shall be on a reporting Friday basis and would mean the period from Saturday to the second following Friday, both days inclusive.
5. "Bank" or "Banking company" means a banking company as defined in clause (c) of Section 5 of the Banking Regulation Act, 1949 (10 of 1949) or a "corresponding new bank", "State Bank of India" or "subsidiary bank" as defined in clause (da), clause (nc) and clause (nd) respectively thereof and includes a "co-operative bank" as defined in clause (cci) of Section 5 read with Section 56 of the Act.
6. "Scheduled bank" means a bank included in the Second Schedule of the Reserve Bank of India Act, 1934.
7. "Primary Dealer (PD)" means a financial institution which holds a valid letter of authorisation as a PD issued by the Reserve Bank, in terms of the "Guidelines for PDs in Government Securities Market" dated March 29, 1995, as amended from time to time.
8. "Capital Funds" means the sum of Tier I and Tier II capital as disclosed in the latest audited balance sheet of the entity.
9. In terms of the RBI Act, 1934, NOF for PDs 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.

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## Appendix

### List of Circulars consolidated

| Sr. No. | Circular Number   | Subject   |
|---------|---|---|
| 1.      | CPC.BC.103/279A-90 dated.12-4-1990  | Access to the Call Money Market   |
| 2.      | Ref.DBOD.No.Dir.BC.97/C.347-90 dated April 18, 1990                       |   |
| 3.      | CPC.BC.111/279A-91 dated.12-4-1991  | Call/Notice Money and Bills Rediscounting Market  |
| 4.      | CPC.BC.144/07.01.279/94-95 dated.17-4-1995                                | Widening Access to Call/Notice Money Market   |
| 5.      | Ref.DBOD.No.FSC.BC.68/24.91.001-95 dated June 27, 1995                    |   |
| 6.      | CPC.BC.162/07.01.279/96-97 dated April 15, 1997                           | Money Market – Routing of Transactions through DFHI   |
| 7.      | CPC.BC.165/07.01.279/97-98 dated. April 21, 1997                          | Money Market – Routing of Transactions through Primary Dealers  |
| 8.      | CPC.BC.175/07.01.279/97-98 dated April 29, 1998                           | Money Market  |
| 9.      | CPC.BC.185/07.01.279/98-99 dated April 20, 1999                           | Measures for Developing the Money Market – Call/Notice Money Market   |
| 10.     | Ref.No.MPD.2785/279A(MM)/98-99 dated April 24, 1999                       | Call/Notice Money and Bills Rediscounting Markets – Routing of Transaction  |
| 11.     | CPC.BC.190/07.01.279/99-2000 dated October 29, 1999                       | Money Market  |
| 12.     | CPC.BC.196/07.01.279/99-2000 dated April 27, 2000                         | Money Market  |
| 13.     | Ref.No.MPD.3513/279A(MM)/1999-2000 dated April 28, 2000                   | Call/Notice Money and Bills Rediscounting Markets – Routing of Transactions – Extract from the Statement on Monetary and Credit Policy for the Year 2000-01 |
| 14.     | MPD.BC.201/07.01.279/2000-01 dated October 10, 2000                       | Permission to non-banks to lend in the call money market  |
| 15.     | MPD.BC.206/07.01.279/2000-01 dated April 19, 2000                         | Moving towards Pure Inter-bank Call Money Market  |
| 16.     | DS.PCB.CIR.40/13.01.00/2000-01 dated April 19, 2001                       | Operations in Call/Notice Money Market  |
| 17.     | MPD.2991/03.09.01/2000-01 dated April 21, 2001                            | Participation in Call/Notice Money Market   |
| 18.     | MPD.3173/03.09.01/2000-01 dated May 8, 2001                               | Participation in Call/Notice Money Market   |
| 19.     | Ref.DBOD.No.FSC.BC.125/24.92.001/2000-01 dated May 25, 2001               | Permission to participate in Call/Notice/Term Money Market and Bills Rediscounting Scheme – Primary Dealers   |
| 20.     | MPD.BC.214/07.01.279/2001-02 dated April 29, 2002                         | Money Market – Moving towards Pure Inter-bank Call Money Market   |
| 21.     | <a href="#"><u>DS.PCB.CIR.52/13.01.00/2001-02 dated June 24, 2002</u></a> | Reporting of Call Money Transactions  |
| 22.     | <a href="#"><u>MPD.217/07.01.279/2001-02 dated June 27, 2002</u></a>      | Reliance on Call/Notice Money Market: Prudential Norm   |
| 23.     | <a href="#"><u>MPD.220/07.01.279/2002-03 dated July 31, 2002</u></a>      | Access to Call/Notice Money Market for Primary Dealers: Prudential Norms  |



| Sr. No. | Circular Number  | Subject  |
|---------|--|--|
| 24.     | MPD.222/07.01.279/2002-03 dated October 29, 2002                               | Money Market   |
| 25.     | <a href="#">MPD.225/07.01.279/2002-03 dated November 14, 2002</a>              | Reliance on Call/Notice Money Market: Prudential Norm  |
| 26.     | <a href="#">MPD.226/07.01.279/2002-03 dated December 11, 2002</a>              | Reliance on Call/Notice Money Market: Prudential Norm  |
| 27.     | <a href="#">DBOD.FSC.BC.85/24.91.001/2002-03 dated March 26, 2003</a>          | Permission to participate in Call/Notice Money Market and Bills Rediscounting Scheme – Private Sector Mutual Funds |
| 28.     | <a href="#">DBOD.FSC.BC.86/24.91.001/2002-03 dated March 26, 2003</a>          | Permission to participate in Call/Notice/Term Money Market and Bills Rediscounting Scheme – Primary Dealers        |
| 29.     | MPD.BC.230/07.01.279/2002-03 dated April 29, 2002                              | Money Market – Moving towards Pure Inter-bank Call Money Market  |
| 30.     | <a href="#">MPD.BC.234/07.01.279/2002-03 dated April 29, 2003</a>              | Participation of Non-bank Entities in Call/Notice Money Market   |
| 31.     | <a href="#">MPD.BC.235/07.01.279/2002-03 dated April 29, 2003</a>              | Reporting of Call/Notice Money Market Transactions on NDS Platform.  |
| 32.     | MPD.BC.241/07.01.279/2003-04 dated November 3, 2003                            | Money Market – Moving towards Pure Inter-bank Call/Notice Money Market   |
| 33.     | <a href="#">MPD.BC.244/07.01.279/2003-04 dated November 5, 2003</a>            | Primary Dealers' Access to Call/Notice Money Market  |
| 34.     | <a href="#">MPD.BC.242/07.01.279/2003-04 dated November 5, 2003</a>            | Moving towards Pure Inter-bank Call/Notice Money Market  |
| 35.     | <a href="#">MPD.BC.250/07.01.279/2003-04 dated May 25, 2004</a>                | Moving towards Pure Inter-bank Call/Notice Money Market  |
| 36.     | MPD.BC.253/07.01.279/2004-05 dated July 3, 2005.                               | Master Circular on Call/Notice Money Market Operations   |
| 37.     | <a href="#">MPD.BC.259/07.01.279/2004-05 dated October 26, 2004.</a>           | Moving towards Pure Inter-bank Call/Notice Money Market  |
| 38.     | <a href="#">MPD.BC.260/07.01.279/2004-05 dated December 10, 2004.</a>          | Reporting of Call/Notice Money Market Transactions   |
| 39.     | <a href="#">MPD.BC.265/07.01.279/2004-05 dated April 29, 2005.</a>             | Call/Notice Money Market – Review of Benchmark   |
| 40.     | <a href="#">MPD.BC.266/07.01.279/2004-05 dated April 29, 2005.</a>             | Participation in Call/Notice Money Market  |
| 41.     | <a href="#">IDMD.PDRD.No. 1096/ 03.64.00/ 2009-10 dated September 02, 2009</a> | Stand-alone Primary Dealers – Increase in Call/Notice Money Borrowing Limit  |

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