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March 25, 2013

FIMCIR/2012-13/51

To

All FIMMDA Members

Dear Madam/Sir,

Code of Conduct for the usage of NDS-OM and OTC Trades in G.Sec, SDLs and Special Securities Revised Trading Bands

We refer to FIMMDA Circular No. FIMCIR/2012-13/48 dated March 6, 2013 informing you of the "Big Figure Errors" occurred on that day resulting in a huge loss which could have been easily avoided if a little bit of caution was exercised on the part of Market Participants and their Supervisors. We also have enumerated the possible causes for such a huge loss. One more Big Figure mistake occurred on March 15, 2013 with similar errors being committed by the Market Participants.

In order to avoid such huge losses, the matter was discussed with the FIMMDA Board and the Market Participants and the following revised Band is being prescribed.

Instrument	Maturity	Band Applicable
GOI Securities	Upto 5 years (upto 2018)	15
GOI Securities	6 to 15 years (2019-2028)	10
GOI Securities	Above 15 years (2029 onwards)	7.5
State Development Loans and Special Securities	Upto 8 years (upto 2021)	15
State Development Loans and Special Securities	Above 8 years (2022 onwards)	10
Oil Bonds	Upto 8 years (upto 2021)	15
Oil Bonds	Above 8 years (2022 onwards)	10

We give below **example** of existing and revised price bands for the information of all concerned:

Security		Maturity	FIMMDA Closing	Band Applicable (Current High Yield Low Price)	Band Applicable (Current Low Yield High Price)	Band Applicable (Revised High Yield Low Price)	Band Applicable (Revised Low Yield High Price)
				25 March		26 March	
				(Current Bands)		(Tentative Bands)	
7.17% GS 2015	Yield	14-June-15	7.79	7.99	7.59	7.94	7.64
	Price		98.74	98.35	99.14	98.45	99.04
8.15% GS 2022	Yield	11-June-22	7.95	8.15	7.75	8.05	7.85
	Price		101.28	99.99	102.59	100.62	101.92
8.97% GS 2030	Yield	5-Dec-30	8.24	8.44	8.04	8.32	8.17
	Price		106.70	104.79	108.66	105.94	107.40

As hitherto, Trading Bands will not be applicable to Securities with Residual Maturities of less than 1 year and Odd lots (single ticket size less than Rs. 5Cr). For SDL and Special Securities other than Oil Bonds minimum 1 trade with Rs. 5 Cr will be recognised. For Oil Bonds, a security should have been traded atleast for Rs.25 Crores in a minimum of 5 trades on any day to be considered for recognition of the security for trading bands.

Further, on days on which RBI's Monetary Policy/ Union Budget are announced, the Trading Bands shall not be in Operation.

The Market Participants will have to be vigilant and place the necessary checks and controls internally with their Dealers and Supervisors to prevent Breach of these Bands.

Any breach of these Bands by the Market Participants will have to be intimated to FIMMDA with full details like Name of the Security, Trade Time, Amount, Price and Yield dealt. FIMMDA places the Price Bands on its website as reference to the Registered Users.

The Revised Bands will be effective from April 2, 2013 to enable particularly the OTC Market Constituents to put in place proper controls for their Dealers and Supervisors to avoid breaching of the Bands.

These revised bands form a part of the Code of Conduct for usage of Negotiated Dealing System-Order Matching (NDS-OM) and Over-The-Counter (OTC) Market.



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The attention of all market Participants is invited to RBI's Circular No. IDMD.DOD.No.06/10.25.66/2012-13 dated December 6, 2012, making it mandatory for all market participants to adhere to the FIMMDA Code of Conduct while executing trades on NDS-OM and in the OTC market.

With Regards,

(D.V.S.S.V. Prasad)
Dy. Chief Executive Officer