

March 6, 2013
FIMCIR/2012-13/48

To,
All FIMMDA Members

Dear All,

**Code of Conduct for Usage of NDS-OM and OTC trades in G.Secs and SDLs
Erroneous “offers” put on NDS- OM resulting in losses due to lack of caution while inputting**

- i) **8.85% Rajasthan SDL 2022, Rs. 25 crores dealt at Rs. 100.85 and Yield 8.7154% (FIMMDA Closing Rs. 101.71, Yield 8.58%). Loss Approximately Rs 22 lacs**
- ii) **8.28% GS 2027 Rs. 5 crores dealt at Rs. 101.40, Yield 8.1136% (FIMMDA Closing Rs. 102.01, Yield 8.04%). Loss Approximately Rs. 3 lacs**

We attach a copy of our circular FIMCIR/2011-12/47 dated 2nd March 2012 contents of which are self–explicit.

We regret that despite our warning the market participants that “Big-Figure” errors could occur on account of the Yield –Based bands being in place, deals such as captioned ones continue to occur, resulting in losses which could easily be avoided if a little bit of caution is exercised on part of the Dealers and their Supervisors.

We feel that the captioned losses have occurred due to:

- i) Putting large offers (Rs. 25 crores) in securities which are illiquid (8.85% Rajasthan SDL 2022).
- ii) Not checking FIMMDA’s closing prices and putting internal filters to give “pop-up” warnings or ignoring the warnings altogether.
- iii) Permitting Rookie Traders to handle a sophisticated system and allowing them to “open” a bid or offer without checking what is the FIMMDA closing rate or ongoing market for illiquid securities.
- iv) Putting Bids and Offers, looking only at prices of Bonds and turning a blind –eye to the yields at which the dealer is prepared to buy or sell a bond.

There is no recourse for such reckless trades which are within the bounds of FIMMDA’s Code of Conduct.

We are once again cautioning the members that as there are no facilities to set “Internal Hard Filters” to prevent dealers from committing the types of mistakes committed today, **they should immediately review their internal controls to see that they do not lose large sums due to careless negligence on the part of dealers using the NDS-OM.**

With regards,

Yours truly,

C.E.S. Azariah
Chief Executive Officer