

DRC 2014-15/05-06

DISPUTE RESOLUTION COMMITTEE

(27th June, 2014)

- Discussion on Big Figure Errors in 364DTB 05032015 and 364DTB 19032015

**FIXED INCOME MONEY MARKET AND DERIVATIVES
ASSOCIATION OF INDIA**

(Minutes prepared by Vasundhara Khajuria)

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Discussion on an erroneous deals in 364DTB 05032015 and 364DTB 19032015 done on NDS - OM

FIMMDA observed two deals of two different 364DTB done on 27th June 2014, with yields higher by almost 100bps away from the yields of T-bills of similar maturity.

The details of the deal and procedure followed:

- FIMMDA was informed by one of the market participants about a deal done in a 364DTB 05032015 at 9.67 for 25 Cr at 12:19:14, which was off market.
- DRC members confirmed via mail that it was clearly an erroneous deal, and counterparty details should be sought from RBI.

FIMMDA: Dispute Resolution Committee

- The counterparty details were sent by RBI. The parties involved were: a Primary Dealer and a Mutual Fund.
- One of the parties to the deal, the mutual fund contact details were not available with FIMMDA readily and so the PD was requested to contact the MF.
- Meanwhile another security 364DTB 19032015 with similar yield 9.62 for 25Cr was dealt at 16:10:43.
- Again another mail was sent to the DRC members to let us have their opinion on the eligibility of the case.
- We also received a call from a Private Sector Bank, being the seller of the security.
- The DRC members responded on Monday June 30, 2014, that they consider the trade as erroneous and the counterparty details may be sort from RBI.
- A mail was sent to RBI seeking details of the counterparties as approved by DRC.
- RBI provided the counterparty details. The parties involved were: a Private Bank, and a Mutual Fund (counterparty to both the deals).
- The counterparties were approached by FIMMDA for reversal of erroneous trade outside the NDS-OM and report the same on the NDS-OM Reported Deal Section by day end.
- A con-call was held on June 30, 2014 to resolve the dispute between the parties.
- It was explained to the buyer of the securities that after the trading bands were removed in June – September 2013, a Dispute Resolution Committee was set up under instructions from RBI. DRC started taking up all cases where the trades are outside the market range irrespective of the nature of such trades. All types of disputes are taken up by DRC on merits and decided. It was also informed that revised Code of Conduct is being processed by FIMMDA Board and the same will be put up on website shortly. Meanwhile in tune with DRC's resolve to stop off market deals taking place on NDS OM, as desired by RBI, both the trades referred to above may be reversed.
- The parties agreed for the reversal and it was decided that the trades will be reversed by next day on T+0 basis.
- The parties were asked to confirm compliance.