

DRC 2016-17/23

DISPUTE RESOLUTION COMMITTEE

- Proceedings of erroneous deal in 8.33 GS 2036
on
30th January 2017



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

Procedure followed for settlement of off market trade in 8.33 GS 2036 on NDS-OM dated 30th January 2017

The details of actions taken for settlement are as under:

- On 30th January, 2017 FIMMDA was informed of an erroneous deal by the seller (a mutual fund institute) telephonically and subsequently via mail. The seller sold 8.33 GS 2036 at price of Rs.111.65/7.2033 for Rs.10 Cr at 11:18:10 hrs which was claimed to be out of market.
- The above was the first trade in the security. No subsequent trade took place till the time of message. Last traded price as of 16th Jan 2017 was Rs.113.00/7.09%. The seller claimed that he wrongly sold the security at the price of Rs.111.65 for Rs.10 Cr instead of at Rs.112.65.
- The matter was referred to DRC members, and the committee members agreed that the deal was erroneous and FIMMDA may seek details of counterparty from RBI.
- As per code of conduct, RBI was approached to know the counterparty.
- RBI disclosed the name of the counterparty as a private life insurance institution.
- Both the parties were advised to reverse the trade.
- The buyer took the stand that though there were no trades on NDS-OM after 16th Jan 2017, there were OTC trades and the price in OTC market was around Rs.112.15. As such, trade at Rs.111.65 was not erroneous. However, it was pointed out to the buyer that in OTC market also the security was traded at Rs.112.50 on the previous day i.e. 27 Jan 17 and at Rs.112.93 on 30 Jan 17 and putting a bid at Rs.111.65 was definitely erroneous.
- The buyer, then agreed to reverse the deal.
- Accordingly, on 2nd Feb, 2017 the trade was reversed and reported on NDS - OM Reporting Deal Section.
- The off-market trade was thus reversed. The loss/gain reversed is Rs.10,00,000/-
- The reversal was informed to RBI and DRC members.