

FIMCIR/2014-15/17

Dated 16th July 2014

To All NDS-OM Users

Dear All,

Reg: Code of conduct for usage of NDS-OM and OTC trades done and reported on NDS-OM reporting platform.

A code of conduct for using RBI's NDS-OM platform was originally placed on our website on 1.10.2011. It was revised on occasions depending upon the market developments.

RBI IDMD issued a circular dated 6th December 2012, informing all SGL/CSGL account holders to adhere to the code of conduct framed by FIMMDA for the trades on NDS-OM and OTC deals done and reported on NDS-OM reporting platform.

As we proceeded, there were soft and hard filters/trading band incorporated in the system to prevent unintended losses.

During volatility in the markets during June-Sept 2013, these trading bands were relaxed, made wider and then completely removed. To prevent "erroneous trades", RBI suggested FIMMDA to put in place a broad based Dispute Resolution Committee to resolve the disputes due to erroneous trades. Accordingly, a Broad based 10 member committee consisting of members from Public Sector, Pvt. Sector, Foreign Banks, Primary Dealers, Co-operative Banks, AMFI representatives and Insurance Companies was formed in September 2013 and the DRC started functioning from 1st October 2013 and resolved many cases. All these cases are uploaded on our website, individually as and when they occurred.

Taking into consideration the cases that are referred to, RBI suggested that we may revise our code of conduct to encompass all types of disputes that were settled. Accordingly, the DRC held rounds of discussions and revised the code. The code was debated and finally approved by the FIMMDA Board.



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Regd. Office: The International, 2nd Floor 16
Maharishi Karve Rd, Churchgate, Mumbai
400 020 Tel : (91-22) 22017089/91/94
Fax : (91-22) 22017095
E-mail fimmda@fimmda.

We are uploading the revised code of conduct for the information and compliance by all NDS-OM users.

Recommendations:

- All Dealers to exercise extreme caution while dealing on the NDS-OM system as overriding/surpassing the alerts/ soft filters would lead to losses, sometimes huge.
- HoTs must exercise control on the Dealers whom they are authorizing to operate the NDS-OM platform by strictly following the internal control systems and filters set in the system as well as ensure compliance to the code of conduct.
- Market Makers have a responsibility to quote narrow Bids and Offers for well traded securities. They also should try to place Bids and Offers for other securities for the development of markets as well as to obtain Level II (Market Observable Tradable) prices for valuation purposes.

The NDS-OM is a sophisticated and user friendly tool with very few parallels outside India and we should utilize the same with care and caution.

With regards

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

