

DRC 2014-15/9

DISPUTE RESOLUTION COMMITTEE

(24th November, 2014)

- Resolution of erroneous deals in 08.30 GS 2042

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

(Prepared by Kavita Shenoy)

Procedure followed for settlement of off market trades in 08.30% GS 2042 on NDS-OM dated 24th November, 2014.

The details of the deals and steps followed for settlement are as under:

- On 24th November, 2014 FIMMDA was informed by one of the market participants telephonically and subsequently via mail, that they have hit a bid wrongly at price Rs.99.65 (8.3312%) for Rs.15 Cr at 16:11:17 instead of at Rs. 100.65. Again at 16.11.41, they saw a bid at Rs.99.70 for 15 Cr and that was also wrongly hit. As there was another bid at Rs. 100.20 for Rs.10 Cr, the seller got a rate of Rs.100.20 for Rs.10 Cr and Rs.99.70 for 5 Cr.
- The seller sought reversal of Rs.15 Cr sale at Rs.99.65 and Rs.5 Cr sale at Rs.99.70.
- The counterparty who purchased at Rs.99.65 also informed the matter to FIMMDA on the next day.
- FIMMDA noticed that other deals in the same security were in the range of Rs 100.2000 – Rs.100.6500 /8.2803 – 8.2391.
- The matter was referred to DRC members, and the committee members agreed that the deals were erroneous and must seek details of counterparties from RBI.
- After receiving the confirmation from RBI regarding counterparty names, FIMMDA approached the parties. The three parties involved were; a public sector bank (Seller), Mutual fund (buyer) and a financial institution (buyer).
- It was advised to all the parties to reverse the deal as early as possible. Following which one of the buyers reversed the trade of Rs.15 and reported the same on NDS-OM (Reported Deals section) at 10.30.00 AM at the same price.
- Whereas the second buyer informed that they had already sold the security on the same day and they didn't have stock for reversing the deal by giving the stock. So, they proposed to refund the difference between purchase price and sale price of Rs.4, 25,000/- (5 Cr purchased @99.70 and sold @100.55).
- As the same is allowed as per FIMMDA's code of conduct and DRC rules the Seller accepted the proposal and confirmed receipt of difference amount on 27th November, 2014.
- The dispute was resolved and the same was informed to RBI and DRC.