

MINUTES OF THE MEETING

(31st October, 2013)

- Discussion on Big Figure Mistake in a 91-Day Treasury Bill

DISPUTE RESOLUTION COMMITTEE

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

(Minutes prepared by Vasundhara Khajuria)

DISCUSSION PANEL

| No. | Name | Institution |
|------------|-------------------------|--|
| 1. | Mr. C.E.S. Azariah | CEO FIMMDA (ceo@fimmda.org) |
| 2. | Mr. K. Boovendran | Dy. CEO(Designate) FIMMDA (boovendran@fimmda.org) |
| 3. | Mr. K. Arvind | SBI DFHI (Director FIMMDA) (evp@sbidfhi.com) |
| 4. | Mr. Siddhartha Shah | STCI PD (siddharth@stcipd.com) |
| 5. | Mr. M.S. Gopikrishnan | Standard Chartered Bank (gopikrishnan.ms@sc.com) |
| 6. | Mr. Saumitra Bajpai | Axis Bank (saumitra.bajpai@axisbank.com) |
| 7. | Mr. Anupam Joshi | IDFC MF (anupam.joshi@idfc.com) |
| 8. | Ms. Vasundhara Khajuria | FIMMDA (vasundhara@fimmda.org) |
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Discussion on a trade of 91 Day T-bill (maturing on 30-01-2014), done on NDS-OM on October 31, 2013

FIMMDA Dispute Resolution Committee (DRC) received a notice of a dispute in the trading on NDS - OM on October 31, 2013 from a private bank.

The details of the deal and actions taken are as follows:

- A 91 day T Bill was traded on October 31, 2013 at 9.5750% on NDS-OM for 100 Crores.
- One of the counterparty - a Private Bank approached FIMMDA, to seek resolution of "Big Figure Mistake" in the Yield offered.
- The trades done before and after the erred deal were in tandem with the market i.e., the yields were at 8.57-8.60%, whereas the disputed deal was dealt at 9.5750%.
- FIMMDA approached RBI to find out the counterparty name as the deal was a clear case of "Big Figure Mistake".
- After receiving the counterparty name from RBI, the committee met on October 31, 2013 at 3 p.m. over a con-call to discuss the erroneous trade done on NDS OM and hear both the counterparties. The two parties involved were a Mutual Fund and a Private Bank.

FIMMDA: Dispute Resolution Committee

After hearing both the parties involved in the trade, it was decided by the DRC that it was an erroneous trade being out of sync vis-à-vis the rest of the trades and they should settle the dispute among themselves for reversal of the obviously erroneous trade.

On 31st October, 2013 both the counter parties (a Mutual Fund and a Private Bank) have mutually decided to reverse the deal and they informed FIMMDA about the same.

The DRC, while resolving the dispute had the following comments for both counterparties which should be noted by all NDS-OM users to avoid similar mistakes in future:

1. The Chief Dealer/Head of Treasury should ensure that internal filters are placed for all securities traded by the members.
2. The official above the Chief Dealer/Head of Treasury should be responsible for ensuring that the HoT has places necessary filters.
3. The Dealer should be instructed not to override the filters (indicated by Warning Pop-ups) without specific permission for the CD/HoT. The permission may be oral or written.
4. In the event of CD/HoT or his/her delegated substitute not being available and the Dealer going ahead and overriding the filter, subsequent confirmation/ratification of the deal input should be taken from the CD/HoT in the Audit Trail / Dealer Blotter of the concerned dealer.
5. No disputes will be entertained by the DRC hereafter, without obtaining the above details. A detailed format for submission of erroneous trade report is being drafted and will be circulated shortly.