

MINUTES OF THE MEETING

(9th October, 2013)

- Discussion on Big Figure Mistake in an SDL

DISPUTE RESOLUTION COMMITTEE

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

(Minutes prepared by Vasundhara Khajuria)

DISCUSSION PANEL

No.	Name	Institution
1.	Mr. D.V.S.S.V. Prasad	Dy. CEO FIMMDA (dyceo@fimmda.org)
2.	Mr. K. Boovendran	Dy. CEO Designated FIMMDA (boovendran@fimmda.org)
3.	Mr. K. Arvind	SBI DFHI (Director FIMMDA) (evp@sbidfhi.com)
4.	Mr. Arafath A.	SBI (arafath.a@sbi.co.in)
5.	Ms. Kavita Patil	IDBI Bank (kavita.patil@idbi.co.in)
6.	Mr. Sandeep Bagla	I Sec PD (Sandeep.bagla@isecpd.com)
7.	Mr. Saumitra Bajpai	Axis Bank (saumitra.bajpai@axisbank.com) (for the 1 st con-call meeting)
8.	Ms. Vasundhara Khajuria	FIMMDA (vasundhara@fimmda.org)
9.	Mr. Maruti Nandan Srivastava	FIMMDA (maruti@fimmda.org)

Discussion on a trade of 9.35 WB SDL 2023 done on NDS-OM on October 8, 2013

The committee met on October 9, 2013, to discuss an erroneous trade done on NDS OM. FIMMDA Dispute Resolution Committee (DRC) received a notice of a dispute in the trading on NDS - OM on October 8, 2013.

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

- A new SDL was auctioned on October 8, 2013 cut off at 9.35%.
- An offer of Rs. 25 Crs was put on NDS-OM at Rs. 9.20, instead of the yield of 9.20%. The offer was immediately taken, by two counterparties. One for Rs. 10 Crs and the other for Rs. 15 Crs. The Trade was done at 16:44:13 and 16:44:16.
- The seller of the deal - a Private Bank approached FIMMDA, to seek reversal just few minutes after the trade.
- One of the buyers of the deal - a Co-Operative Bank also approached FIMMDA, to inform about the erroneous trade and wanted to reverse the trade. So, the Rs. 10 Crs deal was sort to be reversed on the next working day (October 9, 2013)
- For the Rs. 15 Crs deal, the case was referred to the DRC on October 9, 2013, and it was confirmed by the committee members that this was an erroneous trade and RBI should be approached to seek counterparty details.

- Thus, RBI was requested and the counterparty details were furnished. The two parties involved were: a Mutual Fund and a Private Bank
- After receiving the counterparty details, the committee met again on October 9, 2013. It was decided by the DRC that, the Bank should settle the dispute with the Mutual Fund reversing the obviously erroneous trade.
- We were informed by the seller Bank that out of the two deals, one deal was settled/reversed on 09/10/2013 and the second 10/10/2013.

The DRC also decided to place on record for notice of all users of NDS-OM users that careless errors over-riding all cautionary instructions would not be entertained by the DRC.

In the instant case, the following lapses are noticed by the Dealer of the Selling Bank:

1. Inputting an "Offer" at Rs. 9.20 (yield instead of Price)
2. Either no internal filter placed by the Head of Treasury or if placed, blatantly ignored by the Dealer.
3. The Selling Bank by not putting internal controls in place to guard against such lapses, was allowing its Dealer to incur a loss of Rs. 22.70 Cr !!!

The Heads of Treasuries are enjoined to put all necessary controls in place to avoid losses arising out of careless dealing.