

DRC 2016-17/26

DISPUTE RESOLUTION COMMITTEE

**Review of DRC rules
22nd February 2017**



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

(Prepared by Rohan Sawant)

The Dispute Resolution Committee of FIMMDA met on 22nd February 2017, to review the extant Code of Conduct for transaction in government securities on NDS-OM and DRC rules so as to make the DRC rulings more consistent and less subjective.

LIST OF PARTICIPANTS

Sr. No	Name (Mr/Ms)	Designation	Institution	Email id
1	K. Boovendran	Dy. CEO	FIMMDA	dyceo@fimmda.org
2	Reshma S. Nayak	Sr. Manager	The Saraswat Co-op Bank	rs_nayak@saraswatbank.com
3	J.V.S. Dattu	Chief Dealer	SBI DFHI	cd@sbidfhi.com
4	Hemal Doshi	AVP treasury	SBI DFHI	hdoshi@sbidfhi.com
5	Kavita Patil	AGM	IDBI Bank	kavita.patil@idbi.com
6	Siddharth Shah	Sr V.P.	STCI PD	siddharth@stcipd.com
7.	Naveen Kumar Singh (over con-call)	SVP	ISec PD	naveenkumar.singh@isecpd.com

1) Cut off limit to determine a trade as Erroneous trade/off market trade/Big figure mistake:

Big figure mistake may not always result in a difference of Re.1. The difference between the price of the disputed trade and the last/subsequent trade may be Rs.0.95, 0.90, 0.80, etc. The situation will be worse if many outstanding bids/offers are 'given' or 'taken' by placement of an erroneous offer/bid with a big figure mistake. One erroneous bid/offer may produce many off-market trades with wide range of differences. In order to maintain consistency, the members felt that there should be some cut off limit. After detailed discussions, the consensus view was as under:

A trade fulfilling the following two criteria will be considered as erroneous trade:

I criterion: Minimum Rs.0.70 difference between the price of the disputed trade and the last trade.

II criterion: Evidence of big figure mistake

2) Charging any fees for DRC cases:

The members were of the view that any fee or penalty should not be imposed on the counterparty who has committed the mistake or lost money. It was felt that there may be contributory mistake by the gaining party also. However, the members felt that if a dealer was found to be making mistakes repeatedly, say more than 3 times in a year, the institution should be advised to pull the dealer out of dealing room.

The meeting ended with vote of thanks for those who participated.