

DRC 2016-17/01

**DISPUTE RESOLUTION COMMITTEE**

- Proceedings of erroneous deal in **364 DTB 02032017**  
on  
**4<sup>th</sup> April 2016**



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

(Prepared by Rohan Sawant)

**Procedure followed for settlement of off market trade in 364 DTB 02032017 on NDS-OM dated 4<sup>th</sup> April, 2016.**

The details of actions taken for settlement are as under:

- On 4<sup>th</sup> April, 2016 FIMMDA was informed by the seller (a private bank) telephonically and subsequently via mail, that they have sold 364 DTB 02032017 at yield of 7.80%/Rs.93.3939 for Rs.25 Cr & Rs.10 Cr each at 10:44:16 & 10:44:34 hrs which was out of market.
- Similar T-Bill security maturing on 16 March 2017 was trading at yield 6.8000% and another T-Bill maturing on 8 Dec 2016 was trading at yield 6.81%. The seller claimed that he wrongly sold the security at the yield 7.80% for Rs.10 Cr & Rs.25 each instead of yield 6.80%
- The matter was referred to DRC members, and the committee members agreed that the deal was erroneous and FIMMDA may seek details of counterparty from RBI.
- As per code of conduct RBI was approached to know the counterparty.
- When RBI disclosed the name of the counterparty, it was noticed that the counterparty was a foreign bank.
- Both the parties were advised to reverse the trade.
- The gaining party (a foreign bank) had already sold the security and hence the trade couldn't be reversed as the gaining party didn't have the stock.
- A Con-Call was arranged to resolve the dispute. It was decided that the gaining party will remit to the seller the difference in the amount gained on the basis of current market yield. The remittance was to be done on the next business day as they were going to receive the money on T+1 basis from their counterparty.
- Accordingly, on the next trading day i.e. 5<sup>th</sup> April 2016 the difference in the amount was settled and reported to FIMMDA.
- The off-market trade was thus reversed via money settlement. The loss/gain reserved is Rs.27,91,950/-
- The reversal was informed to RBI and DRC members as per code of conduct.