

**01<sup>st</sup> May 2021**

**To FIMMDA Members**

**Dear Sir/ Madam,**

**Clarification from RBI on Open Market purchase of GOI Securities under G -SAP1.0**

We refer to RBI Press release dated 8th April 2021 on Open Market purchase of Government of India Securities by RBI under **G Sec Acquisition Programme (G-SAP1.0)** and the extant RBI guidelines on classification of investment portfolio issued vide RBI Circular RBI/2015-16/97 DBR No BP.BC6/21.04.141/2015-16 dated July 1st 2015.

Extant guidelines, as per the circular cited above, on HTM/AFS/HFT categorisation and shifting of securities among categories provide that:

*Para 2.3.(i):*

*"Banks may shift investments to/from HTM with the approval of the Board of Directors once a year. Such shifting will normally be allowed at the beginning of the accounting year. No further shifting to/from HTM will be allowed during the remaining part of that accounting year, except when explicitly permitted by RBI."*

*Para 2.3.(ii):*

*"If value of sales and transfer of securities to /from HTM category exceeds 5% of the book value of investment held in HTM category at the beginning of the year, Banks should disclose the market value of the investment held in HTM category and indicate the excess of book value over market value for which provision not made.....Further, additional shifting of securities explicitly permitted by the Reserve Bank from time to time, direct sales from HTM for bringing down SLR holdings in HTM category, sales to the Reserve Bank of India under pre-announced OMO auctions and repurchase of Government securities by Government of India from banks will be excluded from the 5 per cent cap."*

Member Institutions sought clarification from us as to whether sales to RBI under G-SAP auctions made directly from HTM category would also be eligible to be excluded from the 5% cap similar to sales under regular OMOs.

The matter was referred to RBI and RBI has clarified vide their mail of even date that the exclusion from the 5% cap provided in para 2.3(ii) of the RBI Circular RBI/2015-16/97 DBR No BP.BC6/21.04.141/2015-16 dated July 1st 2015 will also cover the securities offered for sale from HTM category under Government Securities Acquisition Programme (G-SAP).

Members are requested to take note of the above clarification received from RBI.

Regards,  
P. Das Gupta  
Deputy CEO  
FIMMDA