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FIMCIR/2011-12/34

November 30th, 2011

To,

All FIMMDA Members

Dear Sir/Ma'am,

**Code of Conduct for Usage of NDS-OM
Breach of Price Bands on OTC trades in Special Bonds (Oil, Fert) reported on PDO-NDS**

Please refer our circular FIMCIR/2011-12/30 dated October 24th, 2011 (copy attached for ready reference).

Despite our above warning, we have noticed continued breaches of the band set for trades in Fertilizer & Oil Bonds as shown in the attached list.

We have requested RBI to furnish us a list of the buyers and sellers for the specific breaches, so that they can be asked to reverse the trades.

As the reversal of trades may result in losses for one of the counterparties, we once again request all users to be careful while trading in these illiquid bonds to avoid regulatory action.

With regards,

Yours truly,

C.E.S. Azariah
Chief Executive Officer



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FIMCIR/2011-12/30

October 24, 2011

To,

All FIMMDA Members

Dear Sir/Madam,

**Code of Conduct for Usage of NDS-OM
Price Bands for securities dealt in NDS-OM and reported on PDO-NDS**

Please refer to paragraph 8 of the captioned Code of Conduct which is mutatis mutandis applicable to all transactions done and reported on PDO-NDS.

We also invite your attention to paragraphs 3.6.2, 3.6.3, and the Note under paragraph 3.7.1, of RBI's Master Circular – Prudential norms for classification, valuation and operation of investment portfolio by banks .

It is noticed that the market participants are breaching the 1.25 % band applicable to Oil Bonds, Fertilizer Bonds, and other special securities, despite the instructions regarding the price bands being equally applicable to these bonds which are traded and reported on the PDO-NDS.

As these breaches have gone un-noticed by us, and also perhaps by the buyers and sellers who would have lost money on account of the quoted price breaching the band of 1.25 % on either side of FIMMDA's closing price, we have not been able to ascertain from RBI the names of the buyers and sellers, for arranging reversal of the deals.

We request all users of NDS-OM, as well as those doing OTC trades and reporting on PDO-NDS, to adhere to the specified bands for all securities (except FRBs, T-Bills and CMBs, which have been kept out of the purview of the Code), including Non-SLR Special Securities , so that we are not constrained to ascertain details and insist on reversal of deals which breach the specified bands .

With regards,

Yours truly,

C.E.S.Azariah
Chief Executive Officer