DRC 2022-23/03

**DISPUTE RESOLUTION COMMITTEE**

* Proceedings of erroneous deals in **7.72 MH SDL 2034**

on

 **17th June 2022**

 **Approved**

 **G Ravindranath**

 **CEO**

# FIXED INCOME MONEY MARKET AND DERIVATIVES ASSOCIATION OF INDIA

(Prepared by Anisha Gawde)

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# Procedure followed for settlement of off market trades in 7.72 MH SDL 2034 on NDS-OM dated 17th June 2022

The details of actions taken for settlement are as under:

* On 17th June, 2022 DRC FIMMDA was informed by the Seller (Private Bank) telephonically and subsequently via mail of two erroneous deals done by them, claiming apparent off market trade and raising a dispute as per DRC norms. The Seller sold 7.72 MH SDL 2034 (Security) at 14:48:18 hrs. and at 14:48:25 for each at Rs.98.60/7.9022%. and Rs.98.12/7.9659% for Rs. 5Cr each and for total of Rs. 10 Cr.
* Disputed trades were 3rd and 4th trade in the Captioned Security.
FBIL/FIMMDA valuation as on 16th June (Previous working day) was Rs. 99.0227/7.8465%.
* The matter was referred to 16 DRC members, the quorum being 6. Ten members agreed that the deals were erroneous and may be reversed. There were no contrary decisions.
* As per DRC rules, RBI was approached to know details of the counterparty.
* RBI disclosed the name of the counterparty as a **Primary Dealer (PD)**.
* Both the parties were advised to reverse the trade.
* However, a further review was necessitated as the counter party had provided further inputs on the flow of events and requested for DRC to further deliberate and review the earlier decision of Reversal of trades. FIMMDA explained, that this is not the usual practice and DRC decision has to be accepted by the parties as the same is binding on the parties. However, given the nature of disputed trades and the flow of events provided by the Buyer, request for review as a one-off instance was acceded to. Both Private Bank (seller) and Primary Dealer (buyer) presented their view points on the trades executed and reasons for and against the trades to be considered as either Off Market or otherwise.
* DRC committee deliberated and decided that –

 Deal done at Rs 98.60 for Rs 5.00 crore is Not an Off Market Deal and required No reversal or settlement, as the offer had been met by a standing order and difference with previous trade (Rs.0.35) was within threshold, though the seller’s intent may have been different. The second deal executed at Rs 98.12 for Rs 5.00 cr was an Off Market deal and need to be reversed /settled, as the same was hit by the buyer immediately (within 7 seconds) after the first deal. ( 98.95-98.12)

* On 24th June 2022, the trade had been settled by cash on a mutually agreed price between the counterparties.
* The off-market trade was thus reversed. The loss/gain reversed is Rs.480000.
* The minutes of the meeting where DRC members deliberated and decided that the reversal will be allowed for 1 trade and was shared with RBI and DRC members.
* The reversal of one trade was informed to RBI and DRC members.