

RBI/2008-09/187
IDMD.PDRD.No. 1393/ 03.64.00/2008-09

September 19, 2008

All Banks and Primary Dealers

Dear Sir,

Settlement of Primary Auctions – Shortage of Funds

It has been observed in the recent past that some of the entities are not meeting the fund requirements in time for smooth settlement of primary auction allotments. Often they are depending on their receivables from the secondary market settlement of securities through CCIL. You may note that the primary auction settlement is independent from the secondary market settlements and therefore has to be funded separately. The same day sale of allotted stock permitted vide our circular dated October 6, 2000 was to facilitate distribution of the stock and minimize the risk on the part of the allottees of the securities and not to meet the fund requirement of primary market settlements.

2. In view of the above, you are advised to make arrangements to provide sufficient funds in your current account with the RBI on the auction settlement days before 3.00 PM to meet your obligations against the subscriptions in the primary auctions, failing which the shortage will be treated as an instance of 'SGL bouncing' and will be subjected to the applicable penal provisions. This will be made effective from September 22, 2008.

Yours faithfully,

(R.N.Kar)
General Manager