

## NOTICES

<b>Notice No.</b>	20160725-14	<b>Notice Date</b>	25 Jul 2016
<b>Category</b>	Trading	<b>Segment</b>	Debt
<b>Subject</b>	Trading in Corporate Bonds and Government Bonds on Clean Price Mechanism		
<b>Attachments</b>	<a href="#">File Format and Sample Files.zip</a>		

### Content

Currently, the trading of all the bonds which are part of scrip groups 'F' or 'G' is done on Dirty Price. Dirty Price is a price which is represented in terms of the face value of the bond and has the accrued interest component added to it.

In Debt OTC market, bonds are traded on Clean Price and Yield. Clean price of a bond is the price of a bond expressed in 100 basis points and excludes accrued interest. Yield of a Bond (YTM) is that rate which equates the discounted value of the future cash flows to the present price of the bond.

In order to align with the debt OTC market, Exchange proposes to move trading of some of the Corporate and Government Bonds on Clean price and Yield (YTM) mechanism. In Clean Price and Yield trading mechanism, the trader has an option of entering order using Clean Price or Yield (YTM).

The above changes shall be made live with effect from **Monday, August 08, 2016**.

Following are the trading specifications of bonds on which clean price and yield based trading shall be conducted:-

#### Scrip Group

The bonds on which trading shall be conducted on Clean Price shall be part of following two new groups:-

- 'FC' group - for Corporate Bonds
- 'GC' group - for Government Bonds.

#### Instrument Type

**The scrip master file format shall have an instrument type field to identify the bonds on which trading shall be allowed on clean price or dirty price.**

- 'D' - for bonds on which Dirty Price trading shall be allowed.
- 'C' - for bonds on which Clean Price trading shall be allowed.

#### Price Quotation

The bonds shall be quoted in Clean Price (**100 basis points**). The price precision shall be upto 4 decimals.

#### Tick Size

Tick Size of all the FC group bonds on which clean price trading is to be allowed shall be 0.0001

Tick Size of all the GC group bonds on which clean price trading is to be allowed shall be 0.0025

## Market Lot

Each bond traded on clean price shall have separate scrip codes for market and retail lots.

## Corporate Bonds

### Private Placement Bonds

- Market Lot = Trade value of Rs.5 crores / Face Value of the Bond  
For example, if a bond has a face value of Rs.10 lacs, then the market lot of the bonds shall be Rs.5 crores /10 lac i.e. 50 qty.  
(Similar to the Lot size of Corporate Bond in OTC market)
- Retail Lot – Trade value of Rs.10 Lacs / Face Value of the Bond.  
For example if a bond has a face value of Rs.10,000, then the market lot of the bonds shall be 10,00,000/10,000 i.e. 100 qty.

In case where the Face value of the bond is more than Rs.10 lac then retail lot size will be equal to 1  
For example if a bond has a face value of Rs.13,00,000, then the market lot of the bonds shall be 13,00,000/13,00,000 i.e. 1 qty.

### Public Issue Bonds

- Market Lot = Trade value of Rs.5 crores / Face Value of the Bond. For example: - if a bond has a face value of Rs.1000 then the market lot of the bond shall be 5 Cr/1000 i.e. 50000 qty.
- o Retail Lot – Lot size will be equal to 1 bond.

## Government Bonds

- Retail lot – Lot size will be equal to 10 bonds.
- Market lot= Trade value of Rs.5 crores / Face Value of the Bond  
For example:- if a bond has a face value of Rs.100, then the market lot of the bonds shall be Rs.5 crores /100 i.e. 500000 qty.

### Example for market lot and retail lot

Scrip Name	Market Lot Scrip Code	Market Lot Scrip ID	Retail Lot Scrip Code	Market Lot Scrip Code
EFPL – 11.66% 14-08-20	440001	1166EFL-ML	952614	1166EFL

## Matching Logic

Order on these bonds (FC & GC Groups) shall continue be matched on the basis of the existing price-time priority with clean price quoted in 4 decimals.

### Market Picture and Market By Price (MBP):-

The market watch and MBP shall provide the user with Buy Yield (BYTM) and Sell Yield (SYTM) for each bid and ask price point. The yield and clean price in the market picture shall be in 4 decimals. Additionally for corporate bonds which have a Put/Call option, the Exchange shall provide Yield to Call (YTC) and/or Yield to Put (YTP) at Best bid, best ask and last traded price.

### **Additional Information on Bonds**

The Exchange shall also provide upto 50 key details of a bond specifications viz. issue date, maturity date, interest payment dates, record dates and ratings which shall be useful for trading.

### **Accrued Interest**

The Exchange shall provide the accrued interest information on a daily basis for bonds with scrip groups FC and GC. This information shall be available in the 'Additional Debt Info' file which can be used by the trader for computing Dirty Price of the Bond.

#### **Note:-**

- *Accrued interest shall be computed and rounded off to two decimal places.*

### **Computation of Yield, Dirty price and Total Consideration**

The Exchange shall compute and provide Yield, Dirty Price and Total Consideration for each order and trade. This shall be provided on BOLT TWS terminal and in the end of day trade files.

#### **Note:-**

- *Yield shall be computed and rounded off to four decimal places.*
- *Dirty Price shall be computed and truncated to two decimal places.*
- *Total Consideration shall be computed and truncated to two decimal places.*
- *XIRR methodology is used for computing YTM, YTP and YTC.*

### **Close Price**

The close price of the bond shall be based on volume weighted average of trade prices of the trades executed during the last 30 minutes of continuous trading for that bond. In case no trade occurs during the last 30 minutes of the continuous trading session, the close price shall be the Last Trade Price for that bond. In case no trades occur in continuous trading session during the entire day, the close price shall be the Previous Close Price.

**Note:-** *The Close price shall also be rounded upto 4 decimals in multiple of tick size.*

**The close price of all the bonds forming part of FC and GC group which were till date traded on dirty price shall be converted to clean price on EOD of August 05, 2016. This shall be done by excluding accrued interest as on August 05, 2016 and converting the price in 100 basis points.**

**Thus the Previous Close Price that shall be provided by the Exchange on August 08, 2016 in its market picture shall be clean price of the bond.**

### **Price Bands**

The price bands on bonds belonging to FC group shall be same as F group and the price bands of G group shall be same as that for GC group scrips shall be 10%.

### **Turnover Computation**

The Turnover in case of scrips which belong to 'FC' and 'GC' group shall be based on the accumulated Total Consideration of the trades.

### **File and File formats changes**

In view of the above changes, Trading members are requested to refer to the following file formats that shall undergo changes in order to handle price precision of 4 decimals and make necessary changes to their Front office and Back-office solutions.

The file formats and their sample files are part on the Annexure attached herewith.

Sr No	File Name	Description of Change
1	SCRIP_DDMMYY.TXT	Scrip Master file with tick size upto 4 decimal places in an field no.17 (previously reserve field) for debt securities & an identifier for debt securities that will trade on clean price, in field no.6 (please refer Exchange circular no.20160606-12)
2	Additional Debt info file	Additional master file for debt securities which are part of FC and GC group scrips.
3	DP File	Price Band File with a decimal locator to be provided in an existing filler field so as to identify the scrip with price bands and close price in 2 decimal places or 4 decimal places.

4	Trade File	New Trade file which shall contain trades exclusively on FC and GC group scrips in 4 decimals, along with other details related to the trade. The new format shall be applicable for Online trade file, Provisional and final End of Day trade files.
5	Order Log file	New Order log file which shall contain clean price based orders in 4 decimals.
6	Bhavcopy file	A new file of Bhavcopy file shall be provided for FC and GC scrips The price for the same shall be in 4 decimals.

In case of any queries or clarifications on the new functionality, trading members may kindly contact their respective Relationship Managers.

**For and on behalf of BSE Ltd.,**

Vivek Garg	Rajesh Ranjan
General Manager	General Manager
Trading Development	Fixed Income

July 25, 2016