

Operational Guidelines for Non-competitive Bidding for Government Securities under RBI Auction

1. Introduction

Non-competitive bidding enables medium and small investors to participate in the auction process without taking the price risk in auctions, the Reserve Bank of India has introduced a facility of non-competitive bidding in dated government securities auctions for select set of investors. Non-competitive bidding means that a person would be able to participate in the auctions of dated government securities without having to quote the yield or price in the bid along with amount.

The allotment to the non-competitive segment will be at the weighted average rate that will emerge in the auction on the basis of competitive bidding.

2. Details of Issue available for Bidding:

The contracts/securities available for non-competitive bidding under G-Sec and T-Bills, auction dates shall be notified RBI through notices on weekly basis. With reference to RBI notice, Exchange notice shall be issued providing details of securities available for G-Sec or T-bill for auction under non-competitive bidding along with various details of contract/securities such as security name, ISIN number, notified amount, GOI notification number, Bid collection Start Date, End Date, RBI Auction Date and settlement date. Bid entry in these securities shall be made available via Exchange.

3. Exchange Bid collection and confirmation process timeline

Members are requested to refer to the following indicative process timeline including that for various files/reports to understand the status of confirmation of their bids –

Bid Collection and Confirmation Process	Indicative Timeline
(T – n) day Where n = 1, 2, 3	This is day when issue is made available for Bidding by Exchange
Bid entry Start	9:00 am.
Cut-off for validation with Depositories (modification/cancellation of bids not allowed till validation status is received)	5:30 pm
Bid status subsequent to validation with Depositories (modification/cancellation of bids where there is mismatch in verification of records with Depositories allowed)	6:30 pm onwards
T - day (Auction Day)	
Bid entry end	10:00 am
*Validation with Depositories for T day bids	After 10.00 am
For all valid bids, Blocking of pay-in amount	10:15 am
Reporting all valid bids to RBI	10.30 am to 11:30 am
Modification of bids where there is mismatch in Demat account details	Till 12:30 pm
Security-wise consolidated allotment from RBI to Exchange	1:00 pm
Investor wise allocation by Exchange	2:00 pm
Member wise-client wise final unit pay-out & funds pay-in file on Extranet.	2:30 pm

T+1 day (Settlement Day)	
Settlement of securities (pay-out in demat account)	11.00 am

4. **Trading Member Eligibility to participate**

All registered members of Equity segment shall be allowed to participate in non-competitive bidding of RBI.

5. **Retail Investor eligibility to participate**

Following retail investor categories are allowed to participate in non-competitive bidding as defined by RBI. Details are as below:

Security	Investor Category
G-Sec	Resident Individuals, HUF, Firms, Companies, Corporate Bodies, Institutions, PFs, Trusts
T-Bills	Resident Individuals

Exchange shall validate investor's client type (investor category) present in Demat account with NSDL /CDSL. Hence, trading member has to ensure that bid should be accepted and submitted only for valid investor categories as mentioned above.

6. **Quantum**

Allocation of non-competitive bids from retail investors will be restricted to a maximum of 5% of notified amount of the issue/securities as specified by Government of India, or any other % determined by RBI.

7. **Minimum and Maximum amount of BID allowed per Investor (PAN)**

- The minimum amount for bidding will be Rs.10000 (face value) and thereafter in multiples in Rs.10000.
- In the auction of Govt dated securities, the retail investors can make a single bid for an amount not more than Rupees Two crore (face value) per security/issue per auction.
- Under non-competitive bidding, an investor can make only a single bid in an auction. An undertaking to the effect that the investor is making only a single bid will have to be provided by Investors to the respective trading members.

8. **Submission of Bids**

Exchange on the basis of firm orders received from their Trading Members will submit a single consolidated non-competitive bid on behalf of all its constituents in electronic format on the RBI core Banking Solution system (E-Kuber).

9. **Allotment of Bids**

Allotment under the non-competitive segment to the Exchange will be at the weighted average rate of yield/price that will emerge in the auction on the basis of the competitive bidding. In case the aggregate amount of bid is more than the reserved amount (5% of notified amount), pro rata allotment would be made. In case of partial allotments, the Exchange will appropriately allocate securities to their trading member clients in a transparent manner.

10. Salient features of Exchange provided “NCB-GSec” bidding module in iBBS (Internet based Book Building System)

Bidding will be part of Exchange’s existing web-based online bidding platform - iBBS (Internet-based Book Building System) which is currently used for IPO, Offer for Sale (OFS), Offer to buy (OTB) and SGB (Sovereign Gold Bond) issues.

Investors interested in participating in non-competitive bidding of RBI has to approach his trading member along with necessary funds for placing Bids. Trading members shall be allowed to place bid on behalf of their investor clients with registered Unique Client Code (UCC) or PAN ID. Trading member to ensure that necessary confirmation from investor is in place before Bid is submitted in Exchange system.

- Bidding platform for securities available in RBI auction has been made available under “NCB-GSec” module in IBBS system.
- This module shall be available 24 hours for bid entry till bid cut-off date and time.
- Following screens shall be available to Trading Members and clients in this module:
 - ◆ Open Issue details
 - ◆ Bid entry
 - ◆ Order Book
 - ◆ Download Bid file
 - ◆ Bid upload

For detailed functionality kindly refer annexure 2 – User manual of “NCB-GSec” module.

- Verification of retail investors’ demat account details
 - ◆ Exchange shall validate PAN ID, DP ID & Client ID/ Beneficiary ID entered at the time of bid entry with NDSL or CDSL depositories. Following status shall be available for trading member to view in Order Book
 - ◆ Pending – Bid is pending for Depository Verification.
 - ◆ Verified – Depository details have been verified.
 - ◆ Mismatch - Mismatch in details provided by investor. Reason of mismatch shall be made available to trading member for modification of Bid through front end under “Order Book” option. Trading Members shall be allowed to modify Demat account details till Exchange modification end time.
 - ◆ All bids with status ‘Mismatch’ backed by sufficient funds shall be reported to RBI, however pay-out of securities received from RBI shall be given in respective Trading Member pool account in case of incorrect demat account details of the investor.
 - ◆ Bids will be accepted by system with valid retail investor categories (as specified in point no. 4). All bids with invalid category shall be cancelled by Exchange.
- Trading Member Funds blocking by Clearing Corporation on Auction day
 - ◆ Trading member funds shall be blocked post bid entry cut-off and depository details validation process on RBI Auction day. On RBI Auction day (before 10.00 am) trading member has to ensure that sufficient fund will be deposited with Clearing Corporation.
 - ◆ The funds blocking shall happen on the basis of ‘bid entry time’. Bid entered first shall be given priority in collateral blocking process.
 - ◆ All valid bid with sufficient fund shall be accepted and reported to RBI.
 - ◆ Amount shall be blocked on each security type using following mechanism –

Security Type	Calculation of Amount for Funds pay-in
T-Bill (new issue)	Bid value = Bid Quantity * Rate (where Rate = Face Value)
G-Sec (new issue)	Bid value = Bid Quantity * Rate (where Rate = Face Value + Mark-up %)
G-Sec (re-issue)	Bid value = Bid Quantity * Rate (where Rate = FIMMDA Rate + Accrued interest + Mark-up %)

G-Sec (re-issue) = If the traded price of the bond on NDS OM/FIMMDA fair value exceeds the rate notified by Exchange for blocking amount. In that case Exchange shall republish the new rate and blocking shall happen on that rate.

Mark up % = since cut-off rate shall be published only after allotment on Auction day, additional margin shall be taken from trading member. Based on the cut-off rate published by RBI, excess fund, if any shall be returned to the member on T-day by EOD.

- Allocation of units by Exchange
 - ◆ Exchange shall allocate units to all the investors who has placed the bid in that security on the basis of allotment from RBI.
 - ◆ Allotment can be either full allotment or partial allotment on pro-rata basis.
 - ◆ Full allotment – If aggregate amount of all bids reported to RBI by all applicant is less than the reserved amount though non-competitive bidding then all the investors who has placed bid shall get 100% allotment.
 - ◆ Partial allotment - If aggregate amount of all bids reported to RBI is more than the reserved amount through non-competitive bidding, in that case allotment by RBI is done on a pro-rata basis.
 - ◆ Exchange shall use following logic for investor wise allocation -
 - ✓ First priority shall be given to bidder with highest bid quantity.
 - ✓ In case multiple bids with same bid quantity, bid entry time shall be given priority.
 - ✓ Allocation shall be done in multiple of lot size.
 - ◆ Following status shall be available in order book post allotment -
 - ✓ Pending – This status appears when bid is submitted to Exchange & allotment process is pending.
 - ✓ Allotment – This means unit has been allotted to that bid. Allotted unit and cut-off price shall be made available in order book once allotment is done.
 - ✓ Not Allotment – No allotment has been done by Exchange.
- Reports available to Trading Member through bidding module

Following reports shall be able to download report following reporting from his Exchange system login-

 - ◆ All Bid = This report shall reflect all Bid placed by trading member along with Bid Status – New, Modified or Cancel, RBI Status (Pending / Cancel/ Allotted / No Allotment), Depository Process status(Pending /Verified /Mismatch) and Reason of Mismatch. This report has header information.
 - ◆ Confirmed Bid for RBI reporting = All Bid having status 'Pending' shall appear in this report. and shall be considered for reporting to RBI by Exchange
 - ◆ Allocation report = This report shall have only Bid which has received allotment 'Bid Status (Allotted)' along with Units Allotted , Non-competitive cut-off price and Broken Period Interest as applicable.

11. Bid confirmation for Investors:

- Via SMS & Email - Investors will receive an SMS & email from the Exchange providing bid ID and status of the bid once process of allocation of units is completed by Exchange.

12. Transaction Receipt: Members will be able to provide their clients a transaction receipt for their bid once allocation process is completed subsequent to allotment by RBI.

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