

## **Non-competitive Bidding Facility for Dated Securities and Treasury Bills of the Government of India**

(Updated as on November 23, 2017)

To encourage retail participation in the primary market for Government Securities, the facility of non-competitive bidding in Dated Government Securities and Treasury Bills auctions has been introduced. This will enable the investor to purchase a specified number of securities at the weighted average rate of the accepted competitive bids.

### **1. Who can participate in the Scheme?**

Participation in the Scheme of non-competitive bidding is open to retail investors. Retail investor is any person including individuals, firms, companies, corporate bodies, institutions, provident funds, trusts and any other entity as prescribed by RBI.

### **2. Will non-competitive bidding be allowed in all auctions?**

The availability of non-competitive bidding facility in an auction will be announced along with the respective press release and the information is made available on Reserve Bank's website.

### **3. What would be the amount offered for non-competitive bidding?**

In the specified auctions of Government of India Dated Securities and T-Bills, non-competitive bids up to 5 per cent of the notified amount will be allowed within the notified amount. That is, if the notified amount is Rs.1,000 crore, the amount reserved for non-competitive bidders would be Rs.50 crore and the remaining Rs.950 crore will be put up for competitive auctions.

### **4. How can the eligible investors participate in the auctions?**

Eligible investors cannot participate directly. They have to necessarily come through an aggregator or facilitator.

### **5. Who is an aggregator or facilitator?**

An aggregator or facilitator means a Scheduled Bank or Primary Dealer or Specified Stock Exchange permitted to aggregate the bids received from the investors and submit a single bid in the non-competitive segment of the primary auction.

### **6. What is the minimum/ maximum bidding amount?**

The minimum amount for bidding will be Rs.10,000 (face value) and in multiples in Rs.10,000. The maximum amount for a single non-competitive bid only for the auctions of GOI dated securities should not exceed Rs.2,00,00,000 (face value) per security per auction.

### **7. How many bids can an investor make under this scheme?**

An investor can make only a single bid through an aggregator under this scheme in each specified auction. The aggregator or facilitator through whom the investor bids, will obtain and keep on record an undertaking to the effect that the investor is not making a bid through any other aggregator or facilitator.

### **8. Is there an application form?**

Yes. This is available on the RBI website. The aggregator or facilitator through whom the application is made will assist the investor to obtain the form.

### **9. How will the investor make payment for the security?**

The non-competitive bidder will make payment to the aggregator or facilitator through which he has put the bid and receive his securities from them.

### **10. Will the aggregator or facilitator charge for this service?**

The aggregator or facilitator can recover up to six paise per Rs.100 as commission for rendering this service to their clients. They can build this cost into the sale price or it can be recovered separately from the clients. The aggregator or facilitator is not permitted to build any other cost, such as funding cost, into the price.

### **11. How will the non-competitive bidder know the modalities of payment?**

Modalities for obtaining payment from clients towards the cost of securities, accrued interest, wherever applicable and commission will have to be worked out by the aggregator or facilitator and clearly stated in the contract made for the purpose with the client.

### **12. At what rate will the non-competitive bidders get the allotment?**

The allotment to the non-competitive segment will be at the weighted average price of all allotments to competitive bidders. In case of a yield

based auction, the weighted average yield in the auction will be used to arrive at the allotment price for non-competitive bids.

13. How will the RBI allot the bids to non-competitive bidder?

The RBI will allot the bids under the non-competitive segment to the aggregator or facilitator which, in turn, will allocate to the bidders.

14. How will the securities be issued?

RBI will issue securities only in SGL form. It will credit the securities to the CSGL account of the aggregator or facilitator. They will in turn credit the securities to the gilt account or dematerialized account of the investors.

15. If non-competitive bidding amount is more than the amount reserved, how will the RBI allot the non-competitive bids?

In case the aggregate amount bid is more than the reserved amount through non-competitive bidding, allotment would be made on a pro rata basis.

Example:

Suppose, the amount reserved for allotment in non-competitive basis is 10 crore. The total amount of bids for non-competitive segment is 12 crore. The partial allotment percentage is  $=10/12=83.33\%$ . That is, each bank or PD or specified stock exchange who has submitted non-competitive bids received from eligible investors will get 83.33% of the total amount submitted by him. It may be noted that the actual allotment may vary slightly at times from the partial allotment ratio due to rounding off with a view to ensuring that the allotted amounts are in multiples of 10,000/-.

16. And if the amount bid through non-competitive bidding is less than the reserved amount?

In case the aggregate amount bid is less than the reserved amount all the applicants will be allotted in full and the shortfall amount will be added to the amount available for competitive auction.

17. How will the aggregator or facilitator make partial allotment?

It will be responsibility of aggregator or facilitator to allocate securities to their clients in the same manner (either full or partial) in which they have been allotted the bids.

18. What if the payment for the securities is made to the aggregator or facilitator after the date of issue of the security?

Since the aggregator or facilitator has to make payment on the date of issue itself, in case payment is made by the client after date of issue of the security, the consideration amount payable by the client to the aggregator or facilitator would include accrued interest.

19. In how many days will the investor receive the security?

The transfer of securities to the clients should be completed within five working days from the date of the auction. This is the responsibility of the aggregator or facilitator.