

August 31, 2009

All Standalone Primary Dealers

Dear Sir,

**Investment Portfolio of Primary Dealers-Relaxation in the existing norms**

Please refer to our Master Circular [RBI/2009-2010/56 IDMD.PDRS. 01 / 03.64.00 / 2009-10](#) dated July 1, 2009 on Operational Guidelines to Primary Dealers containing, *inter alia*, guidelines on investments in Government securities.

2. The existing guidelines do not allow Primary Dealers (PDs) to classify their investment portfolio as Held to Maturity (HTM) and their entire holdings are kept in trading book only. The securities held by the PDs are required to be marked-to-market periodically. While net depreciation, if any, is to be provided for, net appreciation, if any, is ignored.

3. The extant guidelines have been reviewed and it has been decided that stand-alone Primary Dealers would be allowed to categorize a portion of their Government Security portfolio in the HTM category subject to the following conditions:

- a. The Transfer of securities to/from HTM shall be done as per the policy formulated by the Board.
- b. Such transfers should be done with the approval of the Board, at the acquisition cost/ book value/ market value on the date of transfer, whichever is the least, and the depreciation, if any, on such transfer shall be fully provided for.
- c. Only securities acquired by the PD under primary auction will be eligible for classification under HTM.
- d. The quantum of securities that can be classified as HTM shall be restricted up to 100% of the paid up capital of the PD as at the end March of the preceding financial year.
- e. Transfers to/from HTM shall be permitted only once in a quarter.

- f. The profit on sale of securities, if any, from the HTM category shall first be taken to the P & L Account and thereafter be appropriated to the "Reserve Account"; loss on sale shall be recognized in the P & L Account.
  - g. The concurrent auditors should specifically verify compliance with these instructions.
  - h. The facility shall be available till the end of March 2010.
4. Banks undertaking PD activities departmentally may continue to follow the extant guidelines applicable to the banks in regard to the classification and valuation of the investment portfolio issued by our Department of Banking Operations and Development.
5. The above guidelines are effective from the date of this circular.

Yours faithfully

(K.V.Rajan)  
Chief General Manager