

FIMCIR/2023-24/27

27th October 2023

TO ALL MEMBERS AND STAKEHOLDERS

NDS-OM-Erroneous Trades

A reference is drawn to RBI circular no. RBI/2012-13/316 IDMD.DOD.No.06/10.25.66/2012-13 dated 6th December 2012 and FIMMDA Code of Conduct for NDS OM which is applicable for all participants on the platform. The code of conduct is available on our website.

Code of Conduct prescribes that NDS-OM users are required to use the security features in built in the system by placing judicious internal filters. These filters in NDS-OM would generate appropriate alerts when inputs in the trading system are at variance with pre-determined thresholds vis-à-vis the market yields. This would help dealers to avoid unintended errors while concluding trades on NDS-OM.

FIMMDA has also set up a Dispute Resolution Committee (DRC) to adjudicate and resolve disputes arising out of erroneous trades, with the aim of providing redressal in case of genuine errors in trades.

However, on an analysis of the cases being referred to DRC as erroneous, it is observed that:

1. More often than not the errors are result of the internal filters set up being wide and that the errors could have been avoided if the set filter criteria were appropriately assessed.
2. Such erroneous bids / offers placed, despite being obviously off-market levels are being traded (hit) by the counter parties often resulting in the claims for reversal and attendant avoidable dispute.

In this connection, all the participating members are advised that, as a conducive business and risk mitigation practice:

- a. The internal filters be appropriately set dealer wise judiciously in alignment with internal policies and risk guidelines to avoid erroneous trades.
- b. The dealing personnel are expected not to take undue advantage by concluding trades using the erroneous standing Bid / Offer.

Head of Treasuries are advised to sensitize the dealing personnel suitably and also review the Operational Risk Control Parameters.

Members / Stakeholders are requested to take note of the same.

Yours sincerely,

Sd/-

G. Ravindranath

Chief Executive Officer