

FIMCIR/2012-13/14

June 13, 2012

To,

ALL FIMMDA MEMBERS

**FIMMDA's Code of Conduct for the usage of NDS-OM
Breach of Yield Based Trading Bands on 12th June 2012**

Please find attached a statement (Annexure -I) of the yield bands for 8.08% GS 2022 and 8.13% GS 2022 for 12.06.2012 based on FIMMDA's closing valuation yields as on 11.06.12, and the list of trades which breached the respective bands.

In this connection we invite your attention to the following:

1. FIMCIR/2011-12/53 dated March 13th 2012 sub-para. (iv) which states as under:
"For Government of India securities, the market should observe an yield band of 20 bps on either side of the closing yield as shown in FIMMDA's previous day's end of the day valuation sheet."
2. Para. 7 of the explanations given in our Day-End Valuation sheet on June 11th 2012 which stated as under :
"Prices and Yields in bold indicate LTP and LTY of securities (including those which is traded the most) during the day which have atleast 0.70% of number of trades and 0.76% of volume of the most liquid security"

Securities traded but LTP & LTY not recognised were:

SECURITY	LTP	LTY	REMARK
07.27 GS 2013	99.25	7.9092	P Benchmark
07.17 GS 2015	97.92	7.9615	P Benchmark
07.59 GS 2016	98.25	8.1253	P Benchmark
08.07 GS 2017	99.50	8.1996	**
08.08 GS 2022	97.85	8.3967	**
08.13 GS2022	98.15	8.3993	**
08.28 GS 2032	97.50	8.5425	*

Based on the above it would be clear that the Day-End Valuation for 8.08% GS 2022 and 8.13% GS 2022 at Rs. 99.67 and Yield 8.13% and Rs. 100.06 and Yield 8.12% were



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“Model Generated Prices” and not the Last Traded Prices as shown on the NDS-OM. Accordingly the Trading Bands were based on the FIMMDA Closing Valuation Yields.

To aid the market participants and facilitate commencement of trading on any day FIMMDA puts up the Trading Bands for the following Day immediately after the Valuation sheet is uploaded on the FIMMDA website.

Had the Banks which put up the bids and offers on the NDS-OM system and the Banks which dealt on the prices shown, taken the trouble of looking at the Trading Bands displayed on the FIMMDA website, the breaches which occurred would not have taken place.

If the Market Participants who wanted to trade in the afore mentioned Securities had found that the Yield Bands (generated based on Model Based Prices) were too restrictive for the day, on account of the secondary market trading of the new security 8.15% GS 2022 which distorted the yields of securities in the neighboring tenors, they could have approached FIMMDA to take up the matter with RBI for relaxation of the Band explaining the reasons for such a request. However, we regret to advise that none of the market participants came to us with such a request for relaxation of the yield bands in the 2022 segment.

On account of the above, there were wide scale breaches in the Yield Band resulting in wider scale exchange of mails between RBI, FIMMDA and the counterparty market participants involved in the afore mentioned trades.

In the light of the above, we once again request the Market Participants to please go through the instructions contained in the Code of Conduct for usage of NDS - OM, so that costly mistakes on account of Breach of the Band resulting in reversal of trades may be avoided. We also request Market Participants to go through the Trading Bands put up on the FIMMDA website and revert immediately to us in case there is a genuine need for approaching RBI for relaxation of the Band for the Day.

With Regards,

C.E.S. Azariah
Chief Executive Officer

ANNEXURE I

STATEMENT OF YIELD BAND AND BREACHES IN TRADE ON 12.06.2012

Name of Security	Closing FIMMDA Yield as on 11.06.2012	Higher Yield Band at 20 bps above the closing yield for 12.06.2012
08.08 GS 2022	8.13	8.33
08.13 GS 2022	8.12	8.32

Individual Trade Details

08.08 GS 2022

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Trade Timestamp	Amount (Cr.)	Price	Yield
11:53:27	10.0000	98.2500	8.3367
11:53:22	10.0000	98.2400	8.3382
11:00:46	10.0000	98.1900	8.3457
10:40:21	25.0000	98.1800	8.3472
09:25:55	10.0000	98.1000	8.3592
09:25:41	10.0000	98.1000	8.3592
09:21:30	10.0000	98.0800	8.3622
Trades: 7	85.0000		

Price Chart

Yield Chart

Source: NDS-OM hosted at CCIL

Individual Trade Details

08.13 GS 2022

[Click here for other Instruments](#)

Trade Timestamp	Amount (Cr.)	Price	Yield
11:14:12	5.0000	98.5000	8.3473
11:00:58	10.0000	98.5300	8.3428
10:36:30	10.0000	98.5200	8.3443
10:30:31	5.0000	98.5400	8.3414
Trades: 4	30.0000		

Price Chart

Yield Chart

Source: NDS-OM hosted at CCIL