

Government of India
Ministry of Finance
(Department of Economic Affairs)

Notification

New Delhi, the April 19, 2016

Sub: Sale of Government of India Treasury Bills by Auction

No F. 2(12)-W&M/97: In supersession of Government notifications No. F.4(14)-W&M/86 dated 18th November, 1986, No. F.2(17)-W&M/92 dated 1st January, 1993, NO. F.2(17)-W&M/92 dated 4th July, 1994, No. F.2(1)-W&M/97 dated 20th May, 1997 and No. F.2(1)-W&M/97(i) dated 20th May, 1997, the Government of India hereby notifies the sale of "Government of India Treasury Bills" (hereinafter the "Bills") on auction basis.

Main Features:

2. (i) The Bills of varying maturities with a maximum tenor of upto 364 days will be sold by the Reserve Bank of India (hereinafter called "the Bank") on auction basis. The date and place of auction, and the exact tenor of bills will be announced by the Bank from time to time.

(ii) The Bank will notify the nominal amounts¹ of bills to be sold to competitive bidders from time to time.

(iii) The Bank may make allocations at the auctions by means of either 'uniform price auction' or 'multiple price auction'. The method of auction will be announced by the Bank from time to time.

(iv) The Bills would be issued at a discounted price.

(v) In respect of competitive bids, the rate of discount and the corresponding issue price would be determined at each auction. In the case of uniform price auction, competitive bids will be accepted at the minimum discounted price called cut-off price determined at the auction, irrespective of bid prices tendered. In the case of multiple price auction, competitive bids will be accepted upto the minimum discounted price called 'cut off' price determined at the auction, at bid prices tendered at the auction. Competitive bids at offer prices lower than the 'cut off' price will be rejected in the case of both uniform and multiple price auctions (Illustrations in **Annexure-I**).

(vi) Allocation for 'non-competitive' bids will be at the discretion of the Bank. These non-competitive bids will be outside the notified amount. Such allocation for 'non-competitive' bids will be at the weighted average price arrived at on the basis of the competitive bids accepted at the auction.

(vii) The Bank will have the full discretion to accept or reject any or all the bids either wholly or partially, as deemed fit by it, without assigning any reason.

(viii) The Bank may, if it considers appropriate to do so participate in the auction as a 'non-competitor' and buy bills for part of or whole of the amount notified at the cut-off price² decided in the auction.

¹ Nominal amount constitutes the face value of bonds/ bills that are being auctioned. In case of T-bills, the bidders quote discounted prices and bills are issued. The word 'nominal' is required as that will be the payable amount on the maturity date. "Notify" refers to the action of GoI giving the actual face value of T-Bills being auctioned.

² This is a legacy from 1998 and RBI was underwriting / subscribing to portion that market participants have not bid for. At that time, RBI was taking the T-Bills at the cut-off rate that emerges in auction. The situation has changed since enactment of FRBM and prohibition of RBI from subscribing to G-Sec / T-Bills in primary issuance (except under extraordinary circumstances). The possibility of RBI subscribing is now very remote and subject to FRBM Act. GOI can consider modifying the clause and changing it to weighted average price, but this is only theoretical. But one aspect that needs to be considered is that unlike other 'non-competitive bidders', RBI cannot buy T-bills outside notified amount. RBI would, in extreme cases, accept unsubscribed portion of notified amount, an allotment at cut-off price is more logical.

Eligibility for Investment:

3. The investment in the Treasury Bills, through competitive route, may be made by any person resident in India, including firms, companies, corporate bodies, institutions and Trusts. Non-Resident Indians (**NRIs**, viz., Indian citizens and Persons of Indian origin), Foreign Institutional Investors (**FIIs**) registered with the Securities and Exchange Board of India (**SEBI**) and approved by Reserve Bank of India, and any other person not resident in India but specified by the Reserve Bank of India with the approval of the Government of India in this regard, are also eligible to invest in the Government Securities. However, investment by a person resident outside India or a Company which is incorporated outside India or any branch of such Company shall be subject to the provisions of the Foreign Exchange Management Act, 1999 and the Regulations framed there under, in addition to the other provisions of laws applicable to Government Securities.

Note: A resident foreigner who is not an Indian citizen can invest if SEBI permits. The investment would be subject to FEMA.

4. Eligible entities could participate on 'non-competitive' basis in auctions for specified Bills as decided by the Bank from time to time. The State Governments, eligible provident funds in India, the Nepal Rastra Bank and any Person or Institution, specified by the Bank, with the approval of Government, in this regard, can participate on non-competitive basis. Individuals can also participate on non-competitive basis as retail investors. For retail investors, the allocation will be restricted to a maximum of 5 percentage of the aggregate nominal amount of the issue, within the notified amount as specified by the Government of India, or any other percentage determined by Reserve Bank of India.

Explanation: The allocation for individuals shall be within notified amount and for other eligible entities outside notified amount³.

Note: Eligible Provident Funds are those non-government provident funds governed by the Provident Funds Act 1925 and Employees Provident Fund and Misc. Provisions Act, 1952 whose investment pattern is decided by the Government of India.

Tenders for purchase of Government of India Auction Treasury Bills:

5. (i) Details of the procedure relating to auction for sale of the Bills will be announced by the Bank from time to time.

(ii) Intending investors would be required to submit their tender at the designated offices of the Bank, as notified by it, on the day of the auction, upto the close of banking hours for the issue of bills in the prescribed Application Form (**Annexure II** for investors other than State Governments and Nepal Rastra Bank and **Annexure III** for State Governments and Nepal Rastra Bank).

(iii) A competitive bidder would be eligible to submit multiple tenders at different prices in separate forms. Applications which do not contain necessary details such as the nominal value of the Bill and the price per Rs. 100/- at which the Bills are proposed to be purchased, are liable to be rejected without reference to the applicant.

³ In case of dated securities/ bonds, the non-competitive bidding allowed for individuals is within the notified amount. The same model is being used for T-bills for consistency sake. For State Governments / Nepal Rastra Bank; the transactions are huge and if they are allotted within the competitive portion of the notified amount, other bidders may not get allotment. Further, the transactions with States are cash neutral as the funds move from ITBs to ATBs. In case demand from individuals picks up, the position may be reviewed and retail individuals could be taken out of competitive portion and included in non-competitive portion with states.

(iv) The successful bidder/s would be required to deposit the requisite amount to the Bank by cash/ cheque/ DD/ e-banking/ Banker's Pay Order or by authorization to debit their current Account at Reserve Bank of India.

Note: The bidders are required to submit Cash / Cheque / DD / Banker's Pay Order⁴, etc. in full while submitting his application/ tender.

Minimum Subscription:

6. Bills will be issued for a minimum amount of ₹ 10,000/- (Rupees Ten Thousand only) and in multiples of ₹ 10,000/- on competitive basis, as well as on non-competitive basis.

Form:

7. The Bills will be issued in the form of Promissory Note/ Credit to Subsidiary General Ledger (S.G.L.) Account.

Transferability:

8. The bills will be transferable in terms of the Government Securities Act, 2006 and the Government Securities Regulations, 2007.

Repayment:

9. The Bills will be repaid at par on the expiration of their tenor at the office of the Bank at which they are registered⁵.

Laws applicable in regard to the Bills:

10. (i) The rights of all persons subscribing to or holding the Bills shall be determined in accordance with the provisions of the Government Securities Act, 2006 and the Government Securities Regulations 2007, read with the terms of this Notification, and such other Notifications as may be issued from time to time by the Bank, in consultation with Government of India in this regard.

(ii) The tax laws in India will apply for the purpose of assessing and determining the liability of the investor or holder of the Bills.

(iii) Any dispute in relation to the Bills shall be decided by the Courts in India.

(Prashant Goyal)
Joint Secretary to the Government of India

⁴ The Government Securities Act allows physical bond issuance. There is presently no bar on individuals applying through physical application for competitive bids. The applications are accepted in RBI's Public Debt Offices and cheques etc. need to be enclosed. After the close of auction time, PDO staff enter the details of physical applications in RBI's e-kuber system and RBI decides on allotment. In case of non-competitive bidding facility for individuals in dated securities auctions, individuals can submit bids only through Banks / Primary Dealers who will bid on behalf of individuals on RBI's e-kuber system. The Banks / primary dealers must ensure payment and RBI debits the concerned Bank / primary dealer. Operationally, this may not pose many hurdles – RBI has as yet not faced any instance of settlement failure in primary issuances.

⁵ Almost (except for a miniscule percentage who can opt for physical certificate) all the T-bills are held in RBI's depository system in Mumbai. Hence, in general, the Core Banking Solution therefore enables payment anywhere through ECS/ NEFT. We can consider retaining this as we are registering the same at Mumbai.

Illustration showing acceptance of Competitive bids on 'Uniform Price'
and 'Multiple Price' Auction methods

Let us assume that RBI has notified an amount of Rs. 300 crore for competitive bidders in a Treasury bill auction and received the following bids.

Bidders	Bid Prices (Percent)	Bid Amount (Rs. Crore)	Cumulative bid amount
A	98.50	90	90
B	98.40	60	150
C	98.35	80	230
D	98.30	70	300
E	98.20	85	385
F	98.00	30	415

Let us assume that the cut-off price fixed in the auction is Rs. 98.30 percent. Bids upto the cut-off price i.e. A, B, C & D will be accepted. E & F will be rejected. In the case of the 'Uniform Price' auction, each successful bidder will have to pay @ Rs. 98.30 irrespective of bid prices individually quoted. The total amount payable will be Rs. 98.30 x 300 = Rs. 294.90 crore; whereas in the case of Multiple Price Auction, each successful bidder will have to pay the bid price he had offered. The total amount payable will be $(98.50 \times 90) + (98.40 \times 60) + (98.35 \times 80) + (98.30 \times 70) = \text{Rs. } 295.18$ crore.

Designation :

Designation :

Office Stamp of the Bidder/s

- @ Appropriation number to be filled in.
- @@ Kindly mention the name of the office at which these accounts are maintained.
- !! If the application is on behalf of a constituent, please indicate the name of the constituent.
- # Not to be filled in by non-competitive bidders.
- \$ Strike out whichever is not applicable.
- * Those empowered to operate on the SGL Account with PAD.
- ** Those Authorized to operate on the Current Account with DAD, RBI.
(where applicable).

NOTES

- (1) If the applicant's signature is by thumb mark, it should be witnessed by two persons. The full names, occupations and addresses of the witnesses should be appended to their signatures.
- (2) If the application is made in the name of a registered body, the undernoted documents, if not already registered at the Public Debt Office, should be submitted to the Public Debt Office along with the investment amount:-
 - (i) Certificate of Incorporation/Registration in original or a copy thereof certified as true by the issuing authority under his office seal.
 - (ii) Certified copies of Memorandum and Articles of Association of the Rules and Regulations/Bye-laws of the company/body.
 - (iii) Certified copy of resolution in favour of the person/s authorized to deal in Government Securities on behalf of the company/body together with his / their duly attested specimen signature (s).

FAX / TELEX

For: The Chief General Manager
Public Accounts Department
Reserve Bank of India

From :

(Name) _____
(Designation) _____
(Address) _____

Dear Sir,

Tender for Government of India _____ @ day (Auction) Treasury Bills _____

I/We, the undersigned, hereby tender for purchase of _____ @ day Treasury Bills as set out below at the auction to be held on _____.

(i) Nominal Value of _____ @ day Rs. _____
Treasury Bills

(ii) Form in which Treasury Bills are required Subsidiary General Ledger Account/Scrip

Undertaking

1. On acceptance of my/our bid, I/we authorize Reserve Bank of India, Central Accounts Section, Nagpur, to debit our current account for value equivalent to the offer value of accepted bid. \$

2. On your acceptance of my/our bid, I/We, agree / undertake to immediately collect the letter of acceptance from your office. I/We undertake to deposit the requisite amount at Reserve Bank of India, _____, on the day/time, as indicated therein / I / We authorize Reserve Bank of India, _____, to debit our Current Account for value equivalent to the offer value of accepted bid. \$

I/We have read the Government notification no. _____ dated _____ and hereby undertake to abide by them.

(i) Signature : _____
And office stamp of the bidder/s

(ii) Designation : _____

@ indicate the appropriate number