Non-Competitive Bidding in Government Securities and Treasury Bills
Credentials

- **Maximum Reach**: Over 1400 members and 30 million registered investors to ensure maximum penetration among retail participants

- **World Leader**: BSE is at #1 position in terms of listed companies

- **National Leader**: BSE’s leadership in primary issuances of equity as well as bonds is well established in India

- **Best Performance**: Designated as a “Receiving Office” for collection of Sovereign Gold Bond bids, BSE has been one of the best performing Receiving Offices since then
Non-competitive Bidding (NCB)

As part of the overall strategy of diversifying the investor base for government securities, the Government of India and RBI have been taking various measures to encourage participation of retail investors in G-Sec market including introduction of non-competitive bidding in primary auctions. In continuation of this endeavor, the Union Budget 2016-17 had announced, inter-alia, that RBI will facilitate retail participation in the primary markets through stock exchanges.

In line with this announcement, BSE has been permitted to act as “Facilitator” for Non-competitive bidding in government securities and treasury bills.

The retail investors will be allowed to bid through BSE in the auctions of dated Government of India securities and Treasury Bills as may be notified from time to time. On the basis of firm orders from the retail investors, BSE shall submit separately a single customer bid for allotment on non-competitive basis for the aggregate amount on the day of the auction.
Who Can Participate?

- Individuals
- Firms
- Companies
- Corporate Bodies
- Institutions
- Provident Funds / Trusts
Why Opt for BSE?

BSE already has the **expertise**, the **infrastructure**, the **scale** and the **reach** for participation.

Placing a bid through an electronic order book mechanism is the **most transparent and efficient mode** of buying securities.

The settlement process for a dematerialized Government security through depository mechanism **much more efficient** than its SGL counterpart.

Existing “Clean Price” based trading (since August, 2016) combined with NCB, makes us an end-to-end solution for retail participants in Government Securities.
# NCB in G-Sec & T-Bills:

<table>
<thead>
<tr>
<th>Category</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Participants</td>
<td>Retail Investors</td>
</tr>
<tr>
<td>Intimation</td>
<td>Notice by BSE</td>
</tr>
<tr>
<td>Minimum Bidding Amount</td>
<td>Rs.10,000 and multiples of Rs.10,000</td>
</tr>
<tr>
<td>Maximum Amount</td>
<td>Rs.2,00,00,000 (face value) per security per auction</td>
</tr>
<tr>
<td>Bid Limit</td>
<td>Single</td>
</tr>
<tr>
<td>Allotment Rate</td>
<td>Weighted Average Price of all allotments</td>
</tr>
<tr>
<td>Distribution Channel</td>
<td>• Trading Members of Cash Segment</td>
</tr>
<tr>
<td>----------------------</td>
<td>---------------------------------</td>
</tr>
<tr>
<td>Members</td>
<td>• Up to six paise per Rs.100 as brokerage/commission/service charges for rendering this service to client</td>
</tr>
</tbody>
</table>
| Bidding System       | • Bidding facility provided in the existing iBBS system  
• Bids undergo depository validation and get confirmed |
| Settlement           | • For confirmed bids, Members to transfer Funds to BSE on or before auction day  
• BSE to transfer funds to RBI on Auction Day |
| Security Credit      | • Investors to get direct credit in demat |
| Interest Credit & Redemption | • Investor receives half yearly interest in Bank account |
The Trading Members shall enter the bids on the behalf of investors providing quantity applied along with demat details of the investor.

BSE shall verify demat details of the investors with the depositories on a daily basis at EoD and the necessary status shall be provided to Trading Members on Exchange front end, for modification/correction, if any.

Trading Members will be able to submit the bids on the behalf of investors till Exchange declared cut-off time (10 a.m.) on the Auction day or T-day.

Members will be allowed to modify their bids till Exchange declared cut-off time on the Auction day. After Exchange declared cut-off time members will be able to modify only the demat details of the investor till 1 p.m. – however no modification or cancellation of the bids would be allowed.

BSE shall display at the time of bid entry and also send a report to Trading Member about the funds required to be blocked, on the auction day, from Trading Members cash collateral for each bid submitted.

All valid bids backed by funds shall be submitted as a single consolidated bid in the e-Kuber system of RBI on auction day.
Pay-In and Pay out of Funds

- Funds for the bids submitted on the Exchange system shall be blocked from the cash collateral for this segment of the Trading Member on Auction day by ICCL, after the exchange declared cut-off time (10 a.m.).

- Based on the consolidated allocation received from RBI, BSE shall make the investor wise allocation of securities and also the funds obligation of each allotted bid and aggregate the funds based on the allocation from Trading Members.

- Pay-out of the funds will be made available in ICCL’s current account with RBI by 4 p.m. on Auction day.

- RBI will debit the ICCL’s current account through auto debit mechanism before the next working day.
Allotment Day Flow: Pay-In & Pay-Out of Securities

- Based on consolidated allocation received from RBI, BSE shall make the investor wise allocation of securities.

- In case of partial allocation, allocation shall be made based on allocation percentage. BSE has developed a transparent allocation logic based on the feedback from RBI – this will be informed to all market participants in the notice issued for opening of the bidding for the Auction.

- Depending on the demat details of allotted bids, ICCL shall prepare a corporate action file from NSDL and CDSL.

- In exceptional cases where the credit of securities in investors account fails, NSDL and CDSL shall transfer that security in ICCL pool account. ICCL will transfer there securities in the pool account of the Member who had submitted the bid for that investor.
# G-Sec - Secondary Market

<table>
<thead>
<tr>
<th>Category</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trading Hours</td>
<td>• 9:15 AM to 3:30 PM (Monday to Friday)</td>
</tr>
<tr>
<td>Trading Group</td>
<td>• Under GC Group</td>
</tr>
<tr>
<td>Minimum Trading Unit</td>
<td>• 100 bonds and multiple of 100 bonds</td>
</tr>
<tr>
<td>Price Quotation</td>
<td>• Clean Price</td>
</tr>
<tr>
<td>Tick Size</td>
<td>• Rs. 0.01</td>
</tr>
<tr>
<td>Settlement</td>
<td>• T+2</td>
</tr>
<tr>
<td>Close Out Penalty</td>
<td>• 5% (Financial Settlement, No Auction)</td>
</tr>
<tr>
<td>Holding &amp; Transfer</td>
<td>• The G-Sec Traded through BSE can be held by investor in the same demat account as is used for equity at the depositories.</td>
</tr>
</tbody>
</table>
FAQs

- **What is Government Security?**

  A Government security is a tradable instrument issued by the Central Government or the State Governments. It acknowledges the Government’s debt obligation. Such securities are short term (usually called treasury bills, with original maturities of less than one year) or long term (usually called Government bonds or dated securities with original maturity of one year or more). In India, the Central Government issues both, treasury bills and bonds or dated securities while the State Governments issue only bonds or dated securities, which are called the State Development Loans (SDLs). Government securities carry practically no risk of default and, hence, are called risk-free gilt-edged instruments.

- **What are the different types of auctions used for issue of securities?**

  An auction may either be yield based or price based.

  **Yield Based Auction:** A yield based auction is generally conducted when a new Government security is issued.

  **Price Based Auction:** A price based auction is conducted when Government of India re-issues securities issued earlier.
FAQs on Non-competitive Bidding

1. Who can participate in the Scheme?
Participation in the Scheme of non-competitive bidding is open to any person including firms, companies, corporate bodies, institutions, provident funds, trusts and any other entity as prescribed by RBI. As the focus is on the small investors lacking market expertise, the Scheme will be open to those who do not have current account (CA) or Subsidiary General Ledger (SGL) account with the Reserve Bank of India. Any investor having Demat account, RBI approved investor category, can participate in non-competitive bidding.
Eligible investors can participate in non-competitive bidding from registered member of the Exchange.

2. What are the advantages of the non-competitive bidding facility?
1. The non-competitive bidding facility will encourage wider participation and retail holding of government securities.
2. It will enable individuals, firms and other mid segment investors who do not have the expertise to participate in the auctions.
3. Such investors will have a fair chance of assured allotments at the rate which emerges in the auction.

3. Will non-competitive bidding be allowed in all dated securities & T-bills auctions?
Yes non-competitive bidding will be allowed in all dated securities and T-bills 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.

4. What would be the amount offered for non-competitive bidding?
In the specified auctions of Government of India dated securities, 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 in case of Central Government Securities.
In case of T-bills, for non-competitive bidding 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.
5. How can the eligible investors participate in the auctions?
Eligible investors can participate through registered brokers. Investors can submit their bids to registered broker, which will be submitted by brokers to Exchange through electronic platform offered by the Exchange.

Registered brokers can submit their pro/clients bid on IBBS electronic platform.

6. What is the minimum/maximum bidding amount?
The minimum amount for bidding will be 100 bonds (Rs. 10,000) and in multiples in 100 bonds (Rs. 10,000). The maximum amount for a single non-competitive bid should not exceed 2,00,000 bonds (Rs. 2,00,00,000) in the auctions of GOI dated securities and T-bills.

7. How many bids can an investor make under this scheme?
An investor can make only a single bid, not exceeding 2,00,000 bonds (Rs. 2,00,00,000) when applying in Demat mode.

8. Process to access auction platform?
All the equity cash members will get default access to G-Sec module of iBBS platform.

9. At what rate will the non-competitive bidders get the allotment?
The allotment to the non-competitive segment will be at the weighted average rate of all allotments to competitive bidders in case of multiple price/yield based auction, and on cut off price in case of uniform price/yield based auction.

10. How the allotment will be done to non-competitive bidder?
ICCL will make allotment to member pool/direct client’s account based on option selected at the time of bid submission in case of demat allotment.

11. If non-competitive bidding amount is more than the amount reserved, how will the ICCL 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.
12. 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.

13. How much does the investor pay for taking possession of the security?
The allotment to the non-competitive segment will be at the weighted average rate of all allotments to competitive bidders in case of multiple price/yield based auction, and on cut off price in case of uniform price/yield based auction.

14. What will be position in respect of price based auctions for re-issue?
The non-competitive bidders will pay the weighted average price which will emerge in the auction. In addition, they have to pay interest accrued from the last coupon payment date to the date of issue of the security.

15. 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.

16. How will the securities be issued?
RBI will issue securities only in CSGL account of ICCL. The ICCL will in turn credit the securities to the demat account.

17. How will the investor make payment for the security?
The bidder will have to keep sufficient funds in the ICCL’s account on the auction day before 10 a.m. Bids will be checked against available funds after 10 a.m., and bid against insufficient fund balance will be rejected.

18. Will the BSE/ICCL charge for this service?
BSE will not be charging any fee for Non-competitive in G-Sec and T-Bills bidding initially.
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