



RBI/2014-15/507

FMRD.DIRD.06/14.03.007/2014-15

March 20, 2015

### All market participants

Dear Sir/Madam

### **T+2 settlements for outright secondary market transactions in Government Securities undertaken by Foreign Portfolio Investors and reported on NDS-OM**

Please refer to [paragraph 27](#) of the fourth bi-monthly Monetary Policy Statement 2014-15 wherein it was announced that in order to address operational issues faced by foreign portfolio investors (FPIs) and long term foreign investors, they will be provided extended reporting timings on trade date and an option for T+2 settlements for secondary market OTC trades in government securities.

2. In this connection, a reference is invited to RBI [circular IDMD.PDRS./4783/10.02.01/2004-05 dated May 11, 2005](#) on T+1 settlement in Government securities market.

3. It has now been decided in consultation with market participants, to permit settlements on T+2 basis for outright secondary market transactions in Government Securities undertaken by FPIs and reported on NDS-OM, subject to following conditions:

- i. All sale and purchase transactions in Government securities, where at least one of the parties is an FPI, will be settled only on T+2 basis. These will include deals between a domestic entity and an FPI, deals between two FPIs of different custodians, deals between a custodian and its FPI Gilt Account Holder, and deals between two FPI Gilt account Holders of the same custodian.

- ii. All other trades not involving an FPI will continue to settle on T+1 basis.
  - iii. Custodian bank of the FPI selling the security or the counterparty entity selling the security to the FPI will have to report the deal on trade date itself within the prescribed reporting time.
  - iv. Custodian bank of the FPI buying the security can report the deal till next business day upto prescribed reporting time.
4. Guidelines on DVP III settlement issued vide [circular IDMD.PDRS.05/10.02.01/2003-04 dated March 29, 2004](#) and as updated from time to time shall continue to apply for such transactions settled on T+2 basis.
5. The guidelines shall come into effect from April 6, 2015.

Yours faithfully

(R. Subramanian)  
Chief General Manager