CHAPTER - III
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Chapter- III: Indian Debt Market

Introduction

The debt market in India consists of mainly two categories—the government securities or the G-Sec markets comprising central government and state government securities, and the corporate bond market. In order to finance its fiscal deficit, the government floats fixed income instruments and borrows money by issuing G-Secs that are sovereign securities issued by the Reserve Bank of India (RBI) on behalf of the Government of India. The corporate bond market (also known as the non-Gsec market) consists of financial institutions (FI) bonds, public sector units (PSU) bonds, and corporate bonds/debentures.

The G-secs are the most dominant category of debt markets and form a major part of the market in terms of outstanding issues, market capitalization, and trading value. It sets a benchmark for the rest of the market. The market for debt derivatives have not yet developed appreciably, although a market for OTC derivatives in interest rate products exists. The exchange-traded interest rate derivatives that were introduced recently are debt instruments; this market is currently small, and would gradually pick up in the years to come.

Trends

In 2010–2011, the government and the corporate sector collectively mobilized 7,851,973 million (US $ 175,856 million) from the primary debt market, a decrease of 3.73 percent compared to the preceding year’s numbers (Refer below Table). About 74.32 percent of the resources were raised by the government (the central and the state governments), while the balance was mobilized by the corporate sector through public and private placement issues. The turnover in the secondary debt market in 2010–2011 aggregated 72,274,164 million (US $ 1,618,682 million), 14.82 percent lower than that in the previous fiscal year.

<table>
<thead>
<tr>
<th>Issuer / Securities</th>
<th>Amount raised from Primary Market (mn)</th>
<th>Turnover in Secondary Market (mn)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2009-10</td>
<td>2010-11</td>
</tr>
<tr>
<td>Government</td>
<td>62,36,190</td>
<td>58,35,210</td>
</tr>
<tr>
<td>Corporate/Non-</td>
<td>19,19,902</td>
<td>20,16,763</td>
</tr>
<tr>
<td>Government</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>81,56,092</td>
<td>78,51,973</td>
</tr>
<tr>
<td>Government</td>
<td>1,38,152</td>
<td>1,30,688</td>
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<tr>
<td>Corporate/Non-</td>
<td>42,532</td>
<td>45,168</td>
</tr>
<tr>
<td>Government</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1,80,684</td>
<td>1,75,856</td>
</tr>
</tbody>
</table>

Table 1: Debt Market—Selected Indicators

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Policy Developments

RBI modifies guidelines for securitization companies/reconstruction companies (SCs/RCs) On April 21, 2010, the RBI modified the guidelines and issued to SCs/RCs on various aspects, in order to bring about more transparency and market discipline.

India Infrastructural Finance Company Limited permitted to undertake ready forward contracts in corporate debt securities vide an RBI circular dated April 16, 2010, the India Infrastructural Finance Company Limited (IIFCL) was permitted to undertake ready forward contracts in corporate debt securities. The entities that are eligible to enter into ready forward contracts in corporate debt securities are mentioned in the Repo in Corporate Debt Securities (Reserve Bank) Directions, 2010. These regulations were released in January 2010, and were made effective in March 2010. According to these regulations, the following entities are allowed to enter into ready forward contracts in corporate debt securities:

a. Scheduled commercial banks, excluding RRBs and LABs;

b. Primary dealers authorized by the RBI;

c. NBFCs registered with the RBI (other than government companies as defined in Section 617 of the Companies Act, 1956);

d. All India Financial Institutions—Exim Bank, NABARD, NHB, SIDBI, and other regulated entities such as any mutual fund registered with SEBI, any housing finance company registered with the National Housing Bank, and any insurance company registered with the Insurance Regulatory and Development Authority.

I. RBI places the draft report of the Internal Group on introduction of credit default swaps (CDS) for corporate bonds On August 4, 2010, the RBI came out with a draft report on the introduction of credit default swaps (CDS) for corporate bonds for public comments.

II. Clarification for NBFCs participating in ready forward contracts in corporate debt securities On August 11, 2010, the RBI notified that the Non-Banking Financial Companies (NBFCs) registered with RBI (other than government companies as defined in Section 617 of the Companies Act, 1956) are eligible to participate in repo transactions in corporate debt securities. The revised guidelines by the RBI's IDMD department on uniform accounting for repo/reverse repo transactions were issued on March 23, 2010. It was clarified that the NBFCs should have an asset size of ₹ 100 crore and above (i.e., NBFCs-ND-SI), and the risk weights for credit risk for assets that are the collateral for such transactions as well as the risk weights for the counterparty credit risk shall be as applicable to the issuer/counterparty in the

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NBFC (non-deposit accepting or holding) Prudential Norms Directions, 2007, as amended from time to time.

III. Changes in settlement period for repo trades in corporate debt securities and changes in minimum haircut applicable on market value of corporate debt securities. The Second Quarter Review of the Monetary Policy 2010–2011 announced that the repo trades in corporate debt securities were permitted to be settled on a T+0 basis in addition to the existing T+1 and T+2 bases under the DVP I (gross basis) framework. The minimum haircut applicable on the market value of the corporate debt securities prevailing on the rate of trade of the first leg, which was earlier stipulated as 25 percent, was revised as shown below:

<table>
<thead>
<tr>
<th>Rating</th>
<th>AAA</th>
<th>AA+</th>
<th>AA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum haircut</td>
<td>10 percent</td>
<td>12 percent</td>
<td>15 percent</td>
</tr>
</tbody>
</table>

IV. Allocation of government debt long term and corporate debt (old investment limits) to FIIs (Circular date: March 08, 2011). Based on the assessment of the allocation and the utilization of the limits to FIIs for investments in debt, SEBI decided to allocate the unutilized limits in government debt long term and corporate debt (old category) in the following manner:

a) Allocation through bidding process: The bidding for these limits was done on the NSE from 3:30 pm to 5:30 pm, on March 15, 2011, in terms of the SEBI Circular IMD/FII&C/37/2009 dated February 06, 2009, subject to the modifications stated below:

Government debt long term:

In partial amendment to Clause 3(h) of the SEBI Circular IMD/FII&C/37/2009, no single entity shall be allocated more than 750 crore of the investment limit. Where a single entity bids on behalf of multiple entities, in terms of Para 7 of the SEBI Circular CIR/IMD/FII&C/18/2010 dated November 26, 2010, such bids would be limited to 750 crore for every such single entity. In partial amendment to Clause 3(c) and 3(d) of the SEBI Circular IMD/ FII&C/37/2009, the minimum amount that can be bid for will be ` 100 crore and the minimum tick size will be 50 crore.

Corporate Debt (Old limits):

No single entity shall be allocated more than 300 crore of the investment limits. Where a single entity bids on behalf of multiple entities, in terms of Para 7 of the SEBI Circular CIR/IMD/FII&C/18/2010 dated November 26, 2010, such bids would be limited to 300 crore for every such single entity. The minimum amount that can be bid for will be 100 crore, and the minimum tick size will be 50 crore.
b) Allocation through first come first serve (FCFS) process: Following the terms of the SEBI Circular dated January 31, 2008, the government debt long term and the corporate debt (old limits) were allocated on an FCFS basis subject to the following conditions:

The remaining amount in the government debt long term and the corporate debt (old limits) other than the bidding process shall be allocated among the FIIs/sub-accounts on an FCFS basis. The debt requests in this regard shall be forwarded to the dedicated email id fil_debtrequests@sebi.gov.in. The window for the FCFS process shall open at 08:30 am IST on March 15, 2011. The maximum limit per request under this process shall be ` 50 crore. A non-utilization charge would be levied from average successful bid premiums (in the respective bidding processes) for the non-utilized part from the allocation on an FCFS basis.

V. Listing Agreement for securitized debt instruments (Circular date: March 16, 2011)

In order to develop the primary market for securitized debt instruments in India, SEBI notified the Securities and Exchange Board of India (Public offer and Listing of Securitized Debt Instruments) Regulations, 2008. The Regulations provide a framework for the issuance and listing of securitized debt instruments by a special purpose distinct entity (SPDE). The listing of securitized debt instruments would help improve the secondary market liquidity for such instruments. With a view to enhancing the information available in the public domain on the performance of asset pools on which securitized debt instruments are issued, it has been decided to put in place a Listing Agreement for securitized debt instruments. The Listing Agreement provides for the disclosure of pool-level, tranche-level, and select loan-level information. For the listed securitized debt instruments, it is clarified that the SPDEs that make frequent issues of securitized debt instruments are permitted to file umbrella offer documents along the lines of a 'shelf prospectus.' In order to ensure a uniform market convention for the secondary market trades of securitized debt instruments, Actual/Actual day count convention shall be mandatory for all listed securitized debt instruments.

VI. FIIs Investment in corporate bonds infra long-term category I (Circular date: November 26, 2010) Vide the SEBI circular CIR/IMD/FII/18/2010 dated November 26, 2010, SEBI announced the mechanism of the allocation of the newly announced limit of long-term corporate debt (infrastructure).

Increase in overall limits
The existing limit of US $ 5 billion for investment by foreign institutional investors (FIIs) in corporate bonds issued by companies in the infrastructure sector with a residual maturity of over five years was increased by an additional limit of US $ 20 billion, taking the total limit to US $ 25 billion. With this, the total limit available to the FIIs for investment in corporate bonds would be US $ 40 billion. These investments are now allowed in unlisted instruments.
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Investments in unlisted bonds

The FIIIs shall now be eligible to invest in unlisted bonds issued by companies in the infrastructure sector that are generally organized in the form of special purpose vehicles.

Lock-in period for investments subject to inter-FII trading

Investments in such bonds shall have a minimum lock-in period of three years. However, during the lock-in period, the FIIIs will be allowed to trade among themselves. However, during the lock-in period, the investments cannot be sold to domestic investors.

No change in identification of companies eligible as “infrastructure”

The identification of corporate bonds issued by companies in the infrastructure sector shall be in terms of the SEBI Circular IMD/FII&C/18/2010 dated November 26, 2010.

Manner of allocation

In partial amendment to the SEBI Circular IMD/FII&C/18/2010 dated November 26, 2010, it was decided to do away with the allocation methodology for investment in the corporate debt long-term infra category. The FIIIs/sub-accounts can now avail of these limits without obtaining SEBI’s approval until the overall FII investments reaches 90 percent i.e., US $22.5 billion, after which the process mentioned in the Circular dated November 26, 2010 shall be initiated for the allocation of remaining limits.

Special window at exchanges

For the benefit of the FIIIs during the lock-in period (mentioned in Para c above), a special trading window for the FIIIs shall be provided by the exchanges on the same lines as is available for equities in companies where the overall FII investment has touched the maximum limit.

Infrastructure Finance Companies (IFCs) as eligible issuers for FIIIs investment limit in debt instrument for infrastructure

The SEBI has decided that the Non-Banking Financial Companies (NBFCs) categorized as Infrastructure Finance Companies (IFCs) by the RBI shall also now be considered eligible issuers for the purposes of FII investment under the corporate debt long-term infra category.
Market Design of Government Securities

Government Securities:

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).

Types of Securities:

Treasury Bills: Treasury bills (T-bills) are money market instruments, i.e., short-term debt instruments issued by the Government of India, and are issued in three tenors—91 days, 182 days, and 364 days. The T-bills are zero coupon securities and pay no interest. They are issued at a discount and are redeemed at face value on maturity.

Cash Management Bills: Cash management bills (CMBs) have the generic characteristics of T-bills but are issued for a maturity period less than 91 days. Like the T-bills, they are also issued at a discount, and are redeemed at face value on maturity. The tenure, notified amount, and date of issue of the CMBs depend on the temporary cash requirement of the government. The announcement of their auction is made by the RBI through a Press Release that would be issued one day prior to the date of auction. The settlement of the auction is on a T+1 basis.

Dated Government Securities: Dated government securities are long-term securities that carry a fixed or floating coupon (interest rate), which is paid on the face value, payable at fixed time periods (usually half-yearly). The tenor of dated securities can be up to 30 years.

State Development Loans: State governments also raise loans from the market. State Development Loans (SDLs) are dated securities issued through an auction similar to the auctions conducted for the dated securities issued by the central government. Interest is serviced at half-yearly intervals, and the principal is repaid on the maturity date. Like the dated securities issued by the central government, the SDLs issued by the state governments qualify for SLR. They are also eligible as collaterals for borrowing through market repo as well as borrowing by eligible entities from the RBI under the Liquidity Adjustment Facility (LAF).

Types of Dated Security Bonds:

Fixed Rate Bonds: These are bonds on which the coupon rate is fixed for the entire life of the bond. Most government bonds are issued as fixed rate bonds.

Floating Rate Bonds: Floating rate bonds are securities that do not have a fixed coupon rate. The coupon is reset at pre-announced intervals (say, every 6 months, or 1 year) by adding a spread over a base rate. In the case of most floating rate bonds issued by the Government of India so far, the base rate is the weighted average cut-off yield of the last three 364-day
Treasury Bill auctions preceding the coupon re-set date, and the spread is decided through the auction. Floating rate bonds were first issued in India in September 1995.

**Zero Coupon Bonds:** Zero coupon bonds are bonds with no coupon payments. Like T-Bills, they are issued at a discount to the face value. The Government of India issued such securities in the 90s; it has not issued zero coupon bonds after that.

**Capital Indexed Bonds:** These are bonds, the principal of which is linked to an accepted index of inflation with a view to protecting the holder from inflation. Capital indexed bonds, with the principal hedged against inflation, were first issued in December 1997. These bonds matured in 2002.

The government is currently working on a fresh issuance of Inflation Indexed Bonds wherein the payment of both the coupon as well as the principal on the bonds would be linked to an Inflation Index (Wholesale Price Index).

In the proposed structure, the principal will be indexed and the coupon will be calculated on the indexed principal. In order to provide the holders protection against actual inflation, the final WPI will be used for indexation.

**Bonds with Call/Put Options:** Bonds can also be issued with features of optionality, wherein the issuer can have the option to buy back (call option) or the investor can have the option to sell the bond (put option) to the issuer during the currency of the bond.

The optionality on the bond could be exercised after the completion of five years from the date of issue on any coupon date falling thereafter. The Government has the right to buy-back the bond (call option) at par value (equal to the face value), while the investor has the right to sell the bond (put option) to the government at par value at the time of any of the half-yearly coupon dates starting from July 18, 2007.

**Special Securities:** In addition to T-Bills and dated securities issued by the Government of India under the market borrowing program, the government also issues special securities, from time to time, to entities such as oil marketing companies, fertilizer companies, the Food Corporation of India, and so on as compensation to these companies in lieu of cash subsidies.

These securities are usually long-dated securities carrying a coupon with a spread of about 20–25 basis points over the yield of the dated securities of comparable maturity. These securities are, however, not eligible SLR securities, but are eligible as collateral for market repo transactions.

The beneficiary oil marketing companies may divest these securities in the secondary market to banks, insurance companies, primary dealers, etc., for raising cash.

**Separate Trading of Registered Interest and Principal of Securities (STRIPS):** Steps are being taken to introduce new types of instruments such as the STRIPS (Separate Trading of Registered Interest and Principal of Securities). Accordingly, guidelines for the stripping and

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the reconstitution of government securities have been issued. The STRIPS are instruments in which each cash flow of the fixed coupon security is converted into a separate tradable zero coupon bond and traded.

These cash flows are traded separately as independent securities in the secondary market. The STRIPS in government securities will ensure the availability of sovereign zero coupon bonds, which will facilitate the development of a market-determined zero coupon yield curve (ZCYC). The STRIPS will also provide institutional investors with an additional instrument for their asset-liability management. Further, as the STRIPS have zero reinvestment risk (being zero coupon bonds), they can be attractive to retail/non-institutional investors.

The process of stripping/reconstituting government securities is carried out at the RBI, the Public Debt Office (PDO) in the PDO-NDS (Negotiated Dealing System) at the option of the holder at any time from the date of issuance of a government security till its maturity.

All dated government securities, other than floating rate bonds, having coupon payment dates on January 2 and July 2 (irrespective of the year of maturity) are eligible for stripping/reconstitution. The eligible government securities are held in the Subsidiary General Ledger (SGL)/Constituent Subsidiary General Ledger (CSGL) accounts maintained at the PDO, RBI, Mumbai. Physical securities are not eligible for stripping/reconstitution.

The minimum amount of securities that needs to be submitted for stripping/reconstitution will be 1 crore (face value) and multiples thereof.

Issuers of Security:

In India, the central government issues T-bills and bonds or dated securities, while the state governments issue only bonds or dated securities, which are called State Development Loans (SDLs). Government securities carry practically no risk of default, and, hence, are called risk-free gilt-edged instruments. The Government of India also issues savings instruments such as Savings Bonds, National Saving Certificates (NSCs) and special securities (oil bonds, Food Corporation of India bonds, fertilizer bonds, power bonds, and so on).

Issuance of Government Securities:

Government securities are issued through auctions conducted by the RBI. The auctions are conducted on an electronic platform called the NDS–Auction platform. Commercial banks, scheduled urban co-operative banks, primary dealers, insurance companies, and provident funds, who maintain a funds account (current account) and securities account (SGL account) with the RBI are members of this electronic platform.

All the members of the PDO-NDS can place their bids in the auction through this electronic platform. All non-NDS members, including non-scheduled urban co-operative banks, can participate in the primary auction through scheduled commercial banks or primary dealers.
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For this purpose, the urban co-operative banks need to open a securities account with a bank/primary dealer; such an account is called a Gilt Account. A Gilt Account is a dematerialized account maintained by a scheduled commercial bank or primary dealer for its constituent (e.g., a non-scheduled urban co-operative bank).

The RBI, in consultation with the Government of India, issues an indicative half-yearly auction calendar, which contains information about the amount of borrowing, the tenor of security, and the likely period during which auctions will be held.

A Notification and a Press Communique giving the exact details of the securities, including the name, amount, type of issue, and the procedure of auction are issued by the Government of India about a week prior to the actual date of auction.

The RBI places the notification and a Press Release on its website (www.rbi.org.in), and also issues an advertisement in leading English and Hindi newspapers. Information about auctions is also available at select branches of public and private sector banks and the primary dealers.

Different types of auctions used for issue of securities:

Prior to the introduction of auctions as the method of issuance, the interest rates were administratively fixed by the government. With the introduction of auctions, the rate of interest (coupon rate) gets fixed through a market-based price discovery process.

An auction may be either yield-based or price-based.

Yield-Based Auction: A yield-based auction is generally conducted when a new government security is issued. Investors bid in yield terms up to two decimal places (for example, 8.19 percent, 8.20 percent, and so on).

The bids are arranged in ascending order, and the cut-off yield is arrived at the yield corresponding to the notified amount of the auction. The cut-off yield is taken as the coupon rate for the security. Successful bidders are those who have bid at or below the cut-off yield. Bids that are higher than the cut-off yield are rejected.

Price-Based Auction: A price-based auction is conducted when the Government of India re-issues securities issued earlier. The bids quote in terms of price per `100 of the face value of the security (e.g., `102.00, `101.00, `100.00, `99.00, etc. per `100). The bids are arranged in descending order, and the successful bidders are those who have bid at or above the cut-off price. Bids that are below the cut-off price are rejected.

Multiple Price-Based: In a Uniform Price auction, all the successful bidders are required to pay for the allotted quantity of securities at the same rate, i.e., at the auction cut-off rate, irrespective of the rate quoted by them. On the other hand, in a Multiple Price auction, the successful bidders are required to pay for the allotted quantity of securities at the respective price/yield at which they have bid.
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Holding of Government Securities:

The Public Debt Office (PDO) of the Reserve Bank of India, Mumbai acts as the registry and central depository for the government securities. Government securities may be held by investors either as physical stock or in dematerialized form.

From May 20, 2002, it is mandatory for all the RBI regulated entities to hold and transact in government securities only in dematerialized (SGL) form.

Accordingly, the UCBs are required to hold all government securities in demat form.

Physical form: Government securities may be held in the form of stock certificates. A stock certificate is registered in the books of the PDO. The ownership of stock certificates cannot be transferred by way of endorsement and delivery.

They are transferred by executing a transfer form as the ownership and transfer details are recorded in the books of the PDO. The transfer of a stock certificate is final and valid only when the same is registered in the books of the PDO.

Demat form: Holding Government securities in the dematerialized or scriptless form is the safest and the most convenient alternative, as it eliminates the problems relating to custody, such as the loss of securities. Besides, transfers and servicing are electronic and hassle free.

The holders can maintain their securities in dematerialized form in one of two ways:

i. SGL Account: The RBI offers a Subsidiary General Ledger (SGL) account facility to select entities, who can maintain their securities in SGL accounts maintained with the PDO of the RBI.

ii. Gilt Account: As the eligibility to open and maintain an SGL account with the RBI is restricted, an investor has the option of opening a Gilt Account with a bank or a primary dealer that is eligible to open a Constituents’ Subsidiary General Ledger Account (CSGL) with the RBI.

Under this arrangement, the bank or the primary dealer, as a custodian of the Gilt Account holders, would maintain the holdings of its constituents in a CSGL account (which is also known as an SGL II account) with the RBI.

The servicing of the securities held in the Gilt Accounts is done electronically, facilitating hassle free trading and maintenance of the securities. The receipt of maturity proceeds and periodic interest is also faster, as the proceeds are credited to the current account of the custodian bank/PD with the RBI, and the custodian (CSGL account holder) immediately passes on the credit to the Gilt Account Holders (GAH).

Investors also have the option of holding government securities in a dematerialized account with a depository (NSDL, CDSL, etc.). This facilitates the trading of government securities on the stock exchanges.

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Listing of G-secs on Stock Exchanges:

All government securities and T-bills are deemed to be listed automatically as and when they are issued.

Trading in Government securities

There is an active secondary market in government securities. The securities can be bought/sold in the secondary market

(i) over the counter (OTC),
(ii) through the Negotiated Dealing System (NDS), or
(iii) through the Negotiated Dealing System-Order Matching (NDS-OM).

i. Over the Counter/Telephone Market

In this market, a participant who wants to buy or sell a government security may contact a bank/ primary dealer/financial institution either directly or through a broker registered with SEBI, and negotiate for a certain amount of a particular security at a certain price.

Such negotiations are usually done over the telephone, and a deal may be struck if both the parties agree on the amount and rate. In the case of a buyer, such as an urban co-operative bank wishing to buy a security, the bank's dealer (who is authorized by the bank to undertake transactions in government securities) may get in touch with other market participants over the telephone and obtain quotes.

All trades undertaken in the OTC market are reported on the secondary market module of the Negotiated Dealing System (NDS).

ii. Negotiated Dealing System

The Negotiated Dealing System (NDS) for electronic dealing and reporting of transactions in government securities was introduced in February 2002. It allows the members to electronically submit bids or applications for the primary issuance of government securities when auctions are conducted.

The NDS also provides an interface to the Securities Settlement System (SSS) of the PDO of the RBI, Mumbai, thereby facilitating the settlement of transactions in government securities (both outright and repos) conducted in the secondary market. Membership to the NDS is restricted to members holding SGL and/or current accounts with the RBI, Mumbai.

iii. Negotiated Dealing System-Order Matching

In August 2005, the RBI introduced an anonymous screen-based order matching module on the NDS, called the Negotiated Dealing System-Order Matching (NDS-OM). This is an order-
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Driven electronic system where the participants can trade anonymously by placing their orders on the system or accepting the orders already placed by other participants.

The NDS-OM is operated by the Clearing Corporation of India Ltd. (CCIL) on behalf of the RBI. Direct access to the NDS-OM system is currently available only to select financial institutions such as commercial banks, primary dealers, insurance companies, and mutual funds. Other participants can access this system through their custodians, i.e., those with whom they maintain Gilt Accounts.

The custodians place the orders on behalf of their customers, like the urban co-operative banks. The advantages of the NDS-OM are price transparency and better price discovery.

Gilt Account holders have been given indirect access to the NDS through custodian institutions. A member (who has direct access) can report on the NDS the transaction of a Gilt Account holder in government securities. Similarly, Gilt Account holders have also been given indirect access to the NDS-OM through the custodians. However, two Gilt Account holders of the same custodian are currently not permitted to undertake repo transactions between themselves.

Stock Exchanges

Facilities are also available for trading in government securities on the stock exchanges (NSE, BSE), which cater to the needs of retail investors. The NSE's Wholesale Debt Market (WDM) segment offers a fully automated screen-based trading platform through the National Exchange for Automated Trading (NEAT) system.

The WDM segment, as the name suggests, permits only high value transactions in debt securities.

The trades on the WDM segment can be executed in the continuous or negotiated market. In the continuous market, orders entered by the trading members are matched by the trading system. For each order entering the trading system, the system scans for a probable match in the order books.

On finding a match, a trade takes place. In case the order does not find a suitable counter order in the order books, it is added to the order books and is called a passive order. This could later match with any future order entering the order book and result into a trade.

This future order, which results in the matching of an existing order, is called the active order. In the negotiated market, deals are negotiated outside the exchange between the two counterparties, and are reported on the trading system for approval.

Brokerage Rates

The NSE has specified the maximum rates of brokerage chargeable by trading members in relation to trades done in securities available on the WDM segment of the Exchange.

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Table 2: Government Of India Securities and T-Bills

<table>
<thead>
<tr>
<th>Government Of India Securities and T-Bills</th>
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<tbody>
<tr>
<td>Order Value up to 10 million</td>
<td>25 ps. Per 100</td>
</tr>
<tr>
<td>More than 10 million, up to 50 million</td>
<td>15 ps. Per 100</td>
</tr>
<tr>
<td>More than 50 million, up to 100 million</td>
<td>10 ps. Per 100</td>
</tr>
<tr>
<td>More than 100 million</td>
<td>5 ps. Per 100</td>
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<table>
<thead>
<tr>
<th>State Govt. Securities, Institutional Bonds &amp; Supra Institutional Bonds</th>
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</tr>
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<tbody>
<tr>
<td>Order Value up to 2.5 million</td>
<td>50 ps. per 100</td>
</tr>
<tr>
<td>More than 2.5 million, up to 5 million</td>
<td>30 ps. per 100</td>
</tr>
<tr>
<td>More than 5 million, up to 10 million</td>
<td>25 ps. per 100</td>
</tr>
<tr>
<td>More than 10 million, up to 50 million</td>
<td>15 ps. per 100</td>
</tr>
<tr>
<td>More than 50 million, up to 100 million</td>
<td>10 ps. per 100</td>
</tr>
<tr>
<td>More than 100 million</td>
<td>5 ps. per 100</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PSU &amp; Floating Rate Bonds</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Order Value up to 10 million</td>
<td>50 ps. per 100</td>
</tr>
<tr>
<td>More than 10 million, up to 50 million</td>
<td>25 ps. per 100</td>
</tr>
<tr>
<td>More than 50 million, up to 100 million</td>
<td>15 ps. per 100</td>
</tr>
<tr>
<td>More than 100 million</td>
<td>10 ps. per 100</td>
</tr>
</tbody>
</table>

| Commercial Paper and Debentures                                       | 1 percent of the order value |

Note: The NSE waived transaction charges for the WDM segment of the Exchange effective from April 2010.

Reporting of Government Securities:

Transactions undertaken between market participants in the OTC/telephone market are expected to be reported on the NDS platform within 15 minutes after the deal is put through over the telephone. All OTC trades are required to be mandatorily reported on the secondary market module of the NDS for settlement.

Reporting on the NDS is a four-stage process wherein the seller of the security has to initiate the reporting followed by confirmation by the buyer. This is followed by the issue of confirmation by the seller's back office on the system, and the reporting is complete with the last stage, where the buyer's back office confirms the deal.

The system architecture incorporates the maker-checker model to preempt individual mistakes as well as misdemeanor.

Reporting on behalf of the entities maintaining gilt accounts with custodians is done by the respective custodians in the same manner as they would do for their own trades, i.e., for proprietary trades. The securities leg of these trades settle in the CSGL account of the custodian.

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Once the reporting is complete, the NDS system accepts the trade. Information on all such successfully reported trades flow to the clearing house i.e., the CCIL. In the case of the NDS-OM, the participants place orders (price and quantity) on the system.

Participants can modify/cancel their orders. The order could be a bid for purchase or an offer for the sale of securities. The system, in turn, will match the orders based on price and time priority; i.e., it matches the bids and the offers of the same prices with time priority.

The NDS-OM system has a separate screen for the central government, state government, and the T-bill trading. In addition, there is a screen for odd lot trading for facilitating the trading by small participants in smaller lots of less than 5 crore (i.e., the standard market lot). The NDS-OM platform is an anonymous platform where the participants will not know the counterparty to the trade.

Once an order is matched, the deal ticket gets generated automatically, and the trade details flow to the CCIL. Due to the anonymity offered by the system, the pricing is not influenced by the participants' size and standing.

Major players in the Government Securities market

The major players in the government securities market include commercial banks and primary dealers, in addition to institutional investors such as insurance companies. Primary dealers play an important role as market makers in the government securities market. Other participants include co-operative banks, regional rural banks, mutual funds, and provident and pension funds.

Foreign Institutional Investors (FIIs) are allowed to participate in the government securities market within the quantitative limits prescribed from time to time. Corporates also buy/sell the government securities to manage their overall portfolio risk.

Settlement of Government Securities

Primary Market

Once the allotment process in the primary auction is finalized, the successful participants are advised of the consideration amounts that they need to pay to the government on the settlement day. The settlement cycle for dated security auctions is T+1, whereas that for T-bill auctions is T+2. On the settlement date, the fund accounts of the participants are debited by their respective consideration amounts, and their securities accounts (SGL accounts) are credited with the amount of securities that they were allotted.

Secondary Market

The transactions relating to government securities are settled through the member's securities/ current accounts maintained with the RBI, with the delivery of securities and the payment of funds done on a net basis. The Clearing Corporation of India Ltd. (CCIL)

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guarantees the settlement of trades on the settlement date by becoming a central counterparty to every trade through the process of novation, i.e., it becomes the seller to the buyer and the buyer to the seller. All outright secondary market transactions in government securities are settled on a T+1 basis. However, in the case of repo transactions in government securities, the market participants will have the choice of settling the first leg on either a T+0 basis or a T+1 basis, as per their requirement.

'Shut period' means the period for which the securities cannot be delivered. During the period under shut, no settlements/delivery of the security that is under shut will be allowed. The main purpose of having a shut period is to facilitate the servicing of the securities, i.e., finalizing the payment of the coupon and the redemption proceeds, and to avoid any change in ownership of securities during this process. Currently, the shut period for the securities held in SGL accounts is one day.

Delivery versus Payment (DvP) is the mode of settlement of securities, wherein the transfer of securities and funds happens simultaneously. This ensures that unless the funds are paid, the securities are not delivered, and vice versa. The DvP settlement eliminates settlement risk in transactions. There are three types of DvP settlements, namely, DvP I, DvP II, and DvP III, which are explained below.

DvP-I: The securities and funds legs of the transactions are settled on a gross basis, i.e., the settlements occur transaction by transaction without netting the payables and receivables of the participant.

DvP-II: In this method, the securities are settled on a gross basis whereas the funds are settled on a net basis, i.e., the funds payable and receivable of all transactions of a party are netted to arrive at the final payable or receivable position, which is then settled.

DvP-III: In this method, both the securities and the funds legs are settled on a net basis, and only the final net position of all the transactions undertaken by a participant is settled.

The liquidity requirement in a gross mode is higher than that of a net mode since the payables and receivables are set off against each other in the net mode.

Clearing Corporation of India Limited (CCIL)

The CCIL is the clearing agency for government securities. It acts as a Central Counterparty (CCP) for all transactions in government securities by interposing itself between two counterparties. In effect, during settlement, the CCP becomes the seller to the buyer and the buyer to the seller of the actual transaction.

All outright trades undertaken in the OTC market and on the NDS-OM platform are cleared through the CCIL. Once the CCIL receives the trade information, it works out the participant-wise net obligations on both the securities and the funds legs. The payable/receivable position of the constituents (gilt account holders) is reflected against their respective custodians.
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The CCIL forwards the settlement file containing the net position of the participants to the RBI, where the settlement takes place by the simultaneous transfer of funds and securities under the 'Delivery versus Payment' system.

The CCIL also guarantees the settlement of all trades in government securities. This means that during the settlement process, if any participant fails to provide funds/securities, the CCIL will make the same available from its own means. For this purpose, the CCIL collects margins from all participants, and maintains a Settlement Guarantee Fund.

Market Design for Corporate Bond Market

Issuers of Corporate Bonds: Public sector units including public financial institutions and bonds issued by the private corporate sector.

General Conditions for Issuance of Corporate Bonds:

No issuer can make any public issue of debt securities if (as on the date of filing of the draft offer document and the final offer document) the issuer, or the person in control of the issuer, or its promoter, has been restrained or prohibited or debarred by SEBI from accessing the securities market or dealing in securities, and such direction or order is in force.

No issuer can make a public issue of debt securities unless the following conditions are satisfied (on the date of filing the draft offer document and the final offer document):

(a) The issuer has to apply to one or more recognized stock exchanges for the listing of such securities. If the application is made to more than one recognized stock exchange, the issuer should choose one of them as the designated stock exchange (having nationwide trading terminals). However, for any subsequent public issue, the issuer may choose a different stock exchange as the designated stock exchange, subject to the requirements of the SEBI (Issue and Listing of Debt Securities) Regulations, 2008.

(b) The issuer has to obtain in-principle approval for the listing of its debt securities on the recognized stock exchanges where the application for listing has been made.

(c) Credit rating has to be obtained from at least one credit rating agency registered with SEBI, and has to be disclosed in the offer document.

(d) It has entered into an arrangement with a depository registered with SEBI for the dematerialization of the debt securities that are proposed to be issued to the public, in accordance with the Depositories Act, 1996 and other relevant regulations.

(e) The issuer is required to appoint one or more merchant bankers registered with the Board, at least one of whom has to be a lead merchant banker.
(f) The issuer is required to appoint one or more debenture trustees in accordance with the provisions of Section 117B of the Companies Act, 1956 (1 of 1956) and the Securities and Exchange Board of India (Debenture Trustees) Regulations, 1993.

(g) The issuer is not allowed to issue debt securities for providing loans to or the acquisition of shares of any person who is part of the same group or who is under the same management.

Price Discovery through Book Building

The issuer may determine the price of the debt securities in consultation with the lead merchant banker, and the issue may be at a fixed price or the price may be determined through the book building process in accordance with the procedures specified by SEBI.

Minimum Subscription

The issuer can decide the amount of minimum subscriptions that it seeks to raise by the issue of debt securities, and disclose the same in the offer document. In the event of non-receipt of the minimum subscription amount, all the application money received in the public issue has to be refunded to the applicants.

Debenture Redemption Reserve

For the redemption of the debt securities issued by a company, the issuer has to create a debenture redemption reserve in accordance with the provisions of the Companies Act, 1956 and the circulars issued by the central government in this regard. Where the issuer has defaulted in the payment of interest on debt securities, or the redemption thereof, or in the creation of security as per the terms of the issue of debt securities, any distribution of dividend would require the approval of the debenture trustees.

Listing of Debt Securities:

Mandatory listing

An issuer wanting to make an offer of debt securities to the public has to apply for listing to one or more recognized stock exchanges according to the terms of the Companies Act, 1956 (1 of 1956). The issuer has to comply with the conditions of listing of debt securities as specified in the Listing Agreement with the stock exchange where such debt securities are sought to be listed.

Conditions for listing of debt securities issued on private placement basis

An issuer may list its debt securities issued on a private placement basis on a recognized stock exchange subject to the following conditions:

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(a) The issuer has issued such debt securities in compliance with the provisions of the Companies Act, 1956, the rules prescribed in it, and other applicable laws;

(b) Credit rating has been obtained in respect of such debt securities from at least one credit rating agency registered with SEBI;

(c) The debt securities proposed to be listed are in a dematerialized form; (d) The prescribed disclosures have been made.

For continuous listing, various conditions have to be followed.

Trading of Debt securities

(1) The debt securities issued to the public or on a private placement basis that are listed in recognized stock exchanges are traded, cleared, and settled in recognized stock exchanges, subject to the conditions specified by the SEBI.

(2) In the case of trades of debt securities that have been made over the counter, such trades are required to be reported on a recognized stock exchange having a nationwide trading terminal or another such platform as may be specified by the SEBI.

Clearing and Settlement:

The corporate bonds are cleared and settled by the clearing corporations of stock exchanges, i.e., the ICCL and the NSCCL.

All trades in corporate bonds available in demat form that are reported on any of the specified platforms (including the FIMMDA, the NSE-WDM, and the NSE Website) are eligible for settlement through the NSCCL. In order to facilitate the settlement of corporate bond trades through the NSCCL, both buy as well as sell participants are required to explicitly express their intention to settle the corporate bond trades through the NSCCL.

The trades will be settled at the participant level on a DvP basis, i.e., on a gross basis for securities and funds. The settlements shall be carried out through the bank/DP accounts specified by the participants.

On the settlement date, during the pay-in, the participants are required to transfer the securities to the depository account specified by the NSCCL, and to transfer the funds to the bank account specified by the NSCCL within the stipulated cut-off time.

On successful completion of pay-in of securities and funds, the securities/funds shall be transferred by the NSCCL to the depository/bank account of the counterparty.

Regulatory Framework:

The SEBI (Issue and Listing of Debt Securities) Regulations, 2008 (private placement) for over one year

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The SEBI is responsible for the primary and the secondary debt market, while the RBI is responsible for the market for repo/reverse repo transactions in corporate debt.

Issuance of Non-Convertible Debentures (Reserve Bank) Directions, 2010 (for issuance of NCDs of original or initial maturity up to one year)

According to the Repo in Corporate Debt Securities (Reserve Bank) Directions 2010, dated January 8, 2010, issued by the RBI, the NBFCs registered with the RBI (other than government companies as defined in Section 617 of the Companies Act, 1956) are eligible for participation in repo transactions in corporate debt securities. The NBFCs participating in such repo transactions are advised to comply with the directions and accounting guidelines issued by the RBI.


Market Design for Securitized Debt instruments

Meaning of securitized Debt:

The Securities Contracts (Regulation) Act, 1956 was amended in 2007 to include under the definition of securities any certificate or instrument (by whatever name it is called) issued to an investor by any issuer who is a special purpose distinct entity possessing any debt or receivable, including mortgage debt assigned to such entity, and acknowledging the beneficial interest of the investor in such debt or receivable, including mortgage debt, as the case may be. 7

Securitization involves the pooling of financial assets and the issuance of securities that are repaid from the cash flows generated by these assets.

Common assets for securitization include credit cards, mortgages, auto and consumer loans, student loans, corporate debt, export receivable, and offshore remittances.

Regulatory Framework:


The SEBI (Public Offer and Listing of Securitized Debt Instruments) Regulations, 2008 for listing on stock exchanges

The Securitization Companies and Reconstruction Companies (Reserve Bank) Guidelines and Directions, 2003

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Eligibility Criteria for trustees:

According to the SEBI (Public Offer and Listing of Securitized Debt Instruments) Regulations, 2008, no person can make a public offer of securitized debt instruments or seek listing for such securitized debt instruments unless

a) it is constituted as a special purpose distinct entity;
b) all its trustees are registered with the SEBI under the SEBI (Public Offer and Listing of Securitized Debt Instruments) Regulations, 2008; and
c) it complies with all the applicable provisions of these regulations and the Act.

The requirement of obtaining registration is not applicable for the following persons, who may act as trustees of special purpose distinct entities:

a) any person registered as a debenture trustee with SEBI;
b) any person registered as a securitization company or a reconstruction company with the RBI under the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (54 of 2002);
c) the National Housing Bank established by the National Housing Bank Act, 1987 (53 of 1987);
d) the National Bank for Agriculture and Rural Development established by the National Bank for Agriculture and Rural Development Act, 1981 (61 of 1981).

However, these persons and special purpose distinct entities of which they are trustees are required to comply with all the other provisions of the SEBI (Public Offer and Listing of Securitized Debt Instruments) Regulations, 2008. However, these Regulations are not applicable for the National Housing Bank and the National Bank for Agriculture and Rural Development, to the extent of inconsistency with the provisions of their respective Acts.

Launching of Schemes:

1. A special purpose distinct entity may raise funds by making an offer of securitized debt instruments by formulating schemes in accordance with the SEBI (Public Offer and Listing of Securitized Debt Instruments) Regulations, 2008.

2. Where there are multiple schemes, the special purpose distinct entity is required to maintain separate and distinct accounts for each such scheme, and should not combine the asset pools or the realizations of a scheme with those of other schemes.

3. A special purpose distinct entity and the trustees should ensure that the realizations of debts and receivables are held and correctly applied towards the redemption of securitized debt instruments issued under the respective schemes, or towards the payment of the returns on such instruments, or towards other permissible expenditures of the scheme.
4. The terms of issue of the securitized debt instruments may provide for the exercise of a clean-up call option by the special purpose distinct entity, subject to adequate disclosures.

5. No expenses should be charged to the scheme in excess of the allowable expenses as may be specified in the scheme, and any such expenditure, if incurred, should be borne by the trustees.

**Mandatory Listing:**

A special purpose distinct entity desirous of making an offer of securitized debt instruments to the public shall make an application for listing to one or more recognized stock exchanges in terms of Sub-section (2) of Section 17A of the Securities Contracts (Regulation) Act, 1956 (42 of 1956).

**Minimum Public Offering for Listing:**

For the public offers of securitized debt instruments, the special purpose distinct entity or trustee should satisfy the recognized stock exchange(s) (to which a listing application is made) that each scheme of securitized debt instruments was offered to the public for subscription through advertisements in newspapers for a period of not less than two days, and that the applications received in pursuance of the offer were allotted in accordance with these regulations and the disclosures made in the offer document.

In the case of a private placement of securitized debt instruments, the special purpose distinct entity should ensure that it has obtained credit rating from a registered credit rating agency for its securitized debt instruments.

In the case of a private placement of securitized debt instruments, the special purpose distinct entity should file the listing particulars with the recognized stock exchange(s), along with the application containing such information as may be necessary for any investor in the secondary market to make an informed investment decision related to its securitized debt instruments.

All the credit ratings obtained, including the unaccepted ratings, if any, should be disclosed in the listing particulars filed with the recognized stock exchange(s).

**Continuous Listing Conditions:**

The special purpose distinct entity or its trustee should provide information, including financial information relating to the schemes, to the stock exchanges and investors, and comply with such other continuing obligations as may be stipulated in the listing agreement.
Trading of Securitized debt instruments:

The securitized debt instruments issued to the public or on a private placement basis that are listed in recognized stock exchanges shall be traded, and such trades shall be cleared and settled in the recognized stock exchanges, subject to the conditions specified by the SEBI. The market design for Securitized Debt instruments was compiled primarily from the SEBI (Public Offer and Listing of SDI) Regulations, 2008

Eligibility Criteria for Securities in WDM Segment

<table>
<thead>
<tr>
<th>Issuer</th>
<th>Eligibility criteria for listing public issue/Private placement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporates (Public limited companies and Private limited companies)</td>
<td>• Paid-up capital of 10 crores; or&lt;br&gt;• Market capitalization of 25 crores (In case of unlisted companies Networth more than 25 crores)&lt;br&gt;• Credit rating</td>
</tr>
<tr>
<td>Public Sector Undertaking, Statutory Corporation established/ constituted under Special Act of Parliament/State Legislature, Local bodies/authorities,</td>
<td>• Credit rating</td>
</tr>
<tr>
<td>Mutual Funds: Units of any SEBI registered Mutual Fund/scheme:</td>
<td>• Qualifies for listing under SEBI’s Regulation</td>
</tr>
<tr>
<td>• Investment objective to invest predominantly in debt or&lt;br&gt;• Scheme is traded in secondary market as debt instrument</td>
<td></td>
</tr>
<tr>
<td>Infrastructure companies Tax exemption and recognition as infrastructure company under related statutes/regulations</td>
<td>• Qualifies for listing under the respective Acts, Rules or Regulations under which the securities are issued.&lt;br&gt;• Credit rating</td>
</tr>
<tr>
<td>Financial Institutions u/s. 4A of Companies Act, 1956 including Industrial Development Corporations</td>
<td>Qualifies for listing under the respective Acts, Rules or Regulations under which the securities are issued.</td>
</tr>
<tr>
<td>Banks</td>
<td>• Scheduled banks&lt;br&gt;• Networth of 50 crores or above&lt;br&gt;• Qualifies for listing under the respective Acts, Rules or Regulations under which the securities are issued.</td>
</tr>
</tbody>
</table>

Table 3: Eligibility Criteria for Securities in WDM Segment

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Market Outcome

Primary Market

In 2010–2011, the central government and the state governments borrowed 4,794,820 million (US $ 107,387 million) and 1,040,390 million (US $ 23,301 million), respectively. The gross borrowings of the central and the state governments taken together were budgeted 6.43 percent lower, from 6,236,190 million (US $ 138,152 million) in 2009–2010 to 5,835,210 million (US $ 130,688 million) in 2010–2011 (Table 5-3). Their net borrowings also decreased by 18.55 percent, from 5,092,410 million (US $ 112,814 million) in 2009–2010 to 4,147,960 million (US $ 92,899 million) in 2010–2011.

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Government</td>
<td>49,24,970</td>
<td>47,94,820</td>
<td>39,43,580</td>
<td>32,63,980</td>
<td>1,07,387</td>
<td>73,101</td>
</tr>
<tr>
<td>State Government</td>
<td>13,11,220</td>
<td>10,40,390</td>
<td>11,48,830</td>
<td>8,83,980</td>
<td>23,301</td>
<td>19,798</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>62,36,190</strong></td>
<td><strong>58,35,210</strong></td>
<td><strong>50,92,410</strong></td>
<td><strong>41,47,960</strong></td>
<td><strong>1,30,688</strong></td>
<td><strong>92,899</strong></td>
</tr>
</tbody>
</table>

Table 4: Market Borrowings of Central and State Governments

The gross and net amounts raised through dated securities in 2010–2011 were lower by around 3 percent and 18 percent, respectively, compared to the amounts raised in the previous year.9 A major challenge for the RBI in 2010–2011 was the management of the government market borrowing program in a situation of tight liquidity conditions and a rise in inflationary expectations. Nonetheless, one-off revenue items such as the 3G and BWA auctions led to an accumulation of large government balances, which in turn, contributed to lower market borrowings during the year. The net market borrowing of the central government amounted to 3,263,980 million (US $ 73,101 million) in 2010–2011, compared to the net borrowings of 3,943,580 million (US $ 87,363 million) in 2009–2010.

In 2010–2011, in order to contain inflationary pressures, the RBI increased the key policy rates, which had an impact on the cost of the government’s market borrowings. The issuance calendar for dated securities for the first half of 2011–2012 (April–September) released in consultation with the central government was scheduled to raise 2,500,000 million.10

The state governments collectively raised 1,040,390 million (US $ 23,301 million) in 2010–2011 as against 1,311,220 million (US $ 29,048 million) in the preceding year. The net borrowings of the state governments in 2010–2011 were lower by 23.05 percent, and amounted to 883,980 million (US $ 19,798 million).
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Secondary Market

Turnover

The aggregate secondary market transactions in debt securities (including government and non-government securities) decreased by 15.74 percent to 72,274,164 million (US $1,618,682 million) in 2010–2011 from 85,780,050 million (US $1,900,311 million) in 2009–2010. Non-government securities accounted for a meager 2.20 percent of the total turnover in the debt market. The NSE accounted for about 7.78 percent of the total turnover in debt securities (in both G-sec and non-G-sec securities) in 2010–2011 (Refer the following table).

<table>
<thead>
<tr>
<th>Securities</th>
<th>2008-09 (mn)</th>
<th>2009-10 (mn)</th>
<th>2010-11 (mn)</th>
<th>2008-09 (US $ mn)</th>
<th>2009-10 (US $ mn)</th>
<th>2010-11 (US $ mn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Securities*</td>
<td>6,22,54,360</td>
<td>8,43,37,567</td>
<td>7,06,82,541</td>
<td>12,21,872</td>
<td>18,68,355</td>
<td>15,83,036</td>
</tr>
<tr>
<td>WDM Segment</td>
<td>29,11,124</td>
<td>42,07,985</td>
<td>40,35,492</td>
<td>82,590</td>
<td>93,221</td>
<td>90,381</td>
</tr>
<tr>
<td>Rest of SGL</td>
<td>5,93,43,816</td>
<td>8,01,29,581</td>
<td>6,66,47,050</td>
<td>15,72,710</td>
<td>17,75,135</td>
<td>14,92,655</td>
</tr>
<tr>
<td>Non-Government Securities</td>
<td>4,59,110</td>
<td>14,42,484</td>
<td>15,91,623</td>
<td>9,011</td>
<td>31,956</td>
<td>35,647</td>
</tr>
<tr>
<td>CM Segment of NSE</td>
<td>1,005</td>
<td>5,219</td>
<td>29,544</td>
<td>102</td>
<td>116</td>
<td>662</td>
</tr>
<tr>
<td>WDM Segment</td>
<td>4,48,391</td>
<td>14,30,174</td>
<td>15,58,976</td>
<td>28,070</td>
<td>31,683</td>
<td>34,915</td>
</tr>
<tr>
<td>F Category of NSE</td>
<td>9,714</td>
<td>7,091</td>
<td>3,103</td>
<td>139</td>
<td>157</td>
<td>69</td>
</tr>
<tr>
<td>Total</td>
<td>6,27,13,470</td>
<td>8,57,80,050</td>
<td>7,22,74,164</td>
<td>16,83,612</td>
<td>19,00,311</td>
<td>16,18,682</td>
</tr>
</tbody>
</table>

Table 5: Turnover of Debt Securities

The non-government securities are traded on the WDM and the CM segments of the NSE, and on the BSE (F Category). Except for the WDM, the volumes were quite insignificant on the other segments of the non-government securities. The turnover in the non-government securities on the WDM segment of the NSE was 1,558,976 million (US $34,915 million) in 2010–2011, which was higher by 9.01 percent than that during the preceding year. The BSE reported a turnover of 3,103 million (US $69 million) in 2010–2011. The NSE accounted for 99.81 percent of the total turnover in non-government securities during the year.

The aggregate turnover in central and state government dated securities and T-bills through non-repo SGL transactions touched 7,083,087 million (US $158,635 million) in 2010–2011, recording a decrease of 20.60 percent from 9,018,385 million (US $199,787 million) in the previous year. The monthly turnover in non-repo transactions for the year 2010–2011 ranged between 358,203 million (US $8,022) and 1,036,410 million (US $23,011 million) (Table 5).
<table>
<thead>
<tr>
<th>Month/Year</th>
<th>GOI Securities</th>
<th>SGL Non-Repo Transactions</th>
<th>Share in Non-Repo Turnover (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Treasury Bills (mn.)</td>
<td>Total (US $ mn.)</td>
</tr>
<tr>
<td>2000-01</td>
<td>51,20,836</td>
<td>6,00,620</td>
<td>57,21,456</td>
</tr>
<tr>
<td></td>
<td></td>
<td>6,73,316</td>
<td>1,21,19,658</td>
</tr>
<tr>
<td>2001-02</td>
<td>1,14,46,342</td>
<td>7,67,845</td>
<td>1,39,23,834</td>
</tr>
<tr>
<td>2002-03</td>
<td>1,31,55,989</td>
<td>12,00,556</td>
<td>1,70,13,632</td>
</tr>
<tr>
<td>2003-04</td>
<td>1,58,13,076</td>
<td>27,11,314</td>
<td>1,26,08,665</td>
</tr>
<tr>
<td>2004-05</td>
<td>98,97,351</td>
<td>20,94,107</td>
<td>1,20,66,187</td>
</tr>
<tr>
<td>2005-06</td>
<td>49,86,040</td>
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Table 6: Secondary Market Transactions in Government Securities

Researcher: CVSL Kameswari
Chapter- III: Indian Debt Market

The share of the WDM segment of the NSE in the total turnover of non-repo SGL transactions increased substantially in 2010–2011. It accounted for a 56.97 percent share in 2010–2011 as against 46.76 percent in the preceding year (Table 5-6). The share of the WDM in the turnover of non-repo dated securities (central and state government securities) also witnessed an increase from 52.11 percent in 2009–2010 to 59.34 percent in 2010–2011. The share of the WDM in the turnover of non-repo T-bills increased to 50.73 percent in 2010–2011 as compared to 34.34 percent in the preceding year.