

**RBI/2009-10/46**  
**FMD. MSRG. No. 36/02.08.003/2009-10**

**July 1, 2009**  
**Aashadha 9, 1931 (S)**

**The Chairmen/Chief Executives of  
all Scheduled Commercial Banks (excluding RRBs) /  
Co-operative Banks / Primary Dealers**

Dear Sirs,

**Master Circular on Call/Notice Money Market Operations**

As you are aware, the Reserve Bank of India has, from time to time, issued a number of guidelines/instructions/directives to banks in regard to matters relating to call/notice money market. To enable eligible institutions to have current instructions at one place, a Master Circular incorporating all the existing guidelines/instructions/directives on the subject has been prepared. It may be noted that this Master Circular consolidates and updates all the instructions/guidelines contained in the circulars issued up to June 30, 2009, in so far as they relate to operations of eligible institutions in the call/notice money markets. This Master Circular has been placed on the RBI website at [www.mastercirculars.rbi.org.in](http://www.mastercirculars.rbi.org.in).

Yours faithfully,

**(Chandan Sinha)**

**Chief General Manager**

**Encls.:** As above

**Master Circular**  
**Call/Notice Money Market Operations**  
**Table of Contents**

1. Introduction
2. Participants
3. Prudential Limits
4. Interest Rate
5. Dealing Session
6. Documentation
7. Reporting requirement
8. Annexes
  - I. List of institutions permitted in Call/Notice Money Market
  - II. Reporting Format
  - III. Definitions
9. Appendix: List of Circulars

## Master Circular on Call/Notice Money Market Operations

### 1. Introduction

1.1 The money market is a market for short-term financial assets that are close substitutes of money. The most important feature of a money market instrument is that it is liquid and can be turned over quickly at low cost and provides an avenue for equilibrating the short-term surplus funds of lenders and the requirements of borrowers. The call/notice money market forms an important segment of the Indian Money Market. Under call money market, funds are transacted on overnight basis and under notice money market, funds are transacted for the period between 2 days and 14 days.

### 2. Participants

2.1 Participants in call/notice money market currently include banks (excluding RRBs) and Primary Dealers (PDs), both as borrowers and lenders (Annex I).

### 3. Prudential Limits

3.1 The prudential limits in respect of both outstanding borrowing and lending transactions in call/notice money market for banks and PDs are as follows:-

**Table 1: Prudential Limits for Transactions in Call/Notice Money Market**

Sr. No.	Participant	Borrowing	Lending
1	Scheduled Commercial Banks	On a fortnightly average basis, borrowing outstanding should not exceed 100 per cent of capital funds (i.e., sum of Tier I and Tier II capital) of latest audited balance sheet. However, banks are allowed to borrow a maximum of 125 per cent of their capital funds on any day, during a fortnight.	On a fortnightly average basis, lending outstanding should not exceed 25 per cent of their capital funds; however, banks are allowed to lend a maximum of 50 per cent of their capital funds on any day, during a fortnight.
2	Co-operative Banks	Borrowings outstanding by State Co-operative Banks/District Central Co-operative Banks/Urban Co-op. Banks in call/notice money market on a daily basis should not exceed 2.0 per cent of their aggregate deposits as at end March of the previous financial year.	No Limit.
3	Primary Dealers (PDs)	PDs are allowed to borrow, on average in a reporting fortnight, up to 200 per cent of their net owned funds (NOF) as at end-March of the previous financial year.	PDs are allowed to lend in call/notice money market, on average in a reporting fortnight, up to 25 per cent of their NOF.

3.2 Non-bank institutions are not permitted in the call/notice money market with effect from August 6, 2005.

#### **4. Interest Rate**

4.1 Eligible participants are free to decide on interest rates in call/notice money market.

4.2 Calculation of interest payable would be based on FIMMDA's (Fixed Income Money Market and Derivatives Association of India) Handbook of Market Practices.

#### **5. Dealing Session**

5.1 Deals in the call/notice money market can be done upto 5.00 pm on weekdays and 2.30 pm on Saturdays or as specified by RBI from time to time.

#### **6. Documentation**

6.1 Eligible participants may adopt the documentation suggested by FIMMDA from time to time.

#### **7. Reporting Requirement**

7.1 All dealings in call/notice money on screen-based negotiated quote-driven system (NDS-CALL) launched since September 18, 2006 do not require separate reporting. It is mandatory for all Negotiated Dealing System (NDS) members to report their call/notice money market deals (other than those done on NDS-CALL) on NDS. Deals should be reported within 15 minutes on NDS, irrespective of the size of the deal or whether the counterparty is a member of the NDS or not. In case there is repeated non-reporting of deals by an NDS member, it will be considered whether non-reported deals by that member should be treated as invalid.

7.2 The reporting time on NDS is upto 5.00 pm on weekdays and 2.30 pm on Saturdays or as decided by RBI from time to time.

7.3 With the stabilisation of reporting of call/notice money transactions over NDS as also to reduce reporting burden, the practice of reporting of call/notice/term money transactions by fax to RBI has been discontinued with effect from December 11, 2004. However, deals between non-NDS members will continue to be reported to the Financial Markets Department (FMD) of RBI by fax as hitherto (Annex II).

7.4 In case the situation so warrants, Reserve Bank may call for information in respect of money market transactions of eligible participants by fax.

## **8. Annexes**

### **Annex I**

#### **I. List of Institutions Permitted to Participate in the Call/Notice Money Market both as Lenders and Borrowers**

- a) All Scheduled Commercial Banks (excluding RRBs).
- b) All Co-operative Banks other than Land Development Banks.
- c) All Primary Dealers ( PDs ).

**Annex - II**

**Daily Return on Call/Notice/Term Money Market Transactions**

To  
 The Chief General Manager,  
 Financial Markets Department,  
 23rd Floor NCOB, RBI,  
 Mumbai-400001  
 Fax-91-22-22630981

Name of the Bank/Institution : \_\_\_\_\_

Code No.(As specified by RBI) : \_\_\_\_\_

Date : \_\_\_\_\_

		Borrowed			Lent		
		Amount (Rs. crore)	Range of Interest Rates (% p.a.)	Weighted Average Interest Rates (% p.a.)	Amount (Rs. crore)	Range of Interest Rates (% p.a.)	Weighted Average Interest Rates (% p.a.)
<b>1.</b>	Call Money (Overnight)						
<b>2.</b>	Notice Money (2-14 Days)						
(a)	Transacted on the day						
(b)	Outstanding * (including day's transactions)						
<b>3.</b>	Term Money @						
(a)	Transacted on the day						
	(15 Days-1 Month)						
	(1 Month-3 Months)						
	(3 Months-6 Months)						
	(6 Months-1 Year)						
(b)	Outstanding *(Including day's transactions) Amount Borrowed Amount Lent						
	(15 Days-1 Month)						
	(1 Month-3 Months)						
	(3 Months-6 Months)						
	(6 Months-1 Year)						

\*In case of outstandings, rates need not be given.

@ Where applicable.

\_\_\_\_\_  
**Authorised Signatories**  
 Phone No. :

## **Annex III**

### **Definitions**

In these guidelines, unless the context otherwise requires:

1. "Call Money" means deals in overnight funds
2. "Notice Money" means deals in funds for 2 - 14 days
3. "Fortnight" shall be on a reporting Friday basis and mean the period from Saturday to the second following Friday, both days inclusive
4. "Bank" or "banking company" means a banking company as defined in clause (c) of Section 5 of the Banking Regulation Act, 1949 (10 of 1949) or a "corresponding new bank", "State Bank of India" or "subsidiary bank" as defined in clause (da), clause (nc) and clause (nd) respectively thereof and includes a "co-operative bank" as defined in clause (cci) of Section 5 read with Section 56 of that Act
5. "Scheduled bank" means a bank included in the Second Schedule of the Reserve Bank of India Act, 1934
6. "Primary Dealer" means a financial institution which holds a valid letter of authorisation as a Primary Dealer issued by the Reserve Bank, in terms of the "Guidelines for Primary Dealers in Government Securities Market" dated March 29, 1995, as amended from time to time
7. "Capital Funds" means the sum of the Tier I and Tier II capital as disclosed in the latest audited balance sheet of the entity.

## 9. Appendix

### List of Circulars

Sr. No.	Circular Number	Subject
1.	CPC.BC.103/279A-90 dated.12-4-1990	Access to the Call Money Market
2.	Ref.DBOD.No.Dir.BC.97/C.347-90 dated April 18, 1990	
3.	CPC.BC.111/279A-91 dated.12-4-1991	Call/Notice Money and Bills Rediscounting Market.
4.	CPC.BC.144/07.01.279/94-95 dated.17-4-1995	Widening Access to Call/Notice Money Market
5.	Ref.DBOD.No.FSC.BC.68/24.91.001-95 dated June 27, 1995	
6.	CPC.BC.162/07.01.279/96-97 dated April 15, 1997	Money Market - Routing of Transactions through DFHI
7.	CPC.BC.165/07.01.279/97-98 dated. April 21, 1997	Money Market - Routing of Transactions through Primary Dealers
8.	CPC.BC.175/07.01.279/97-98 dated April 29, 1998	Money Market
9.	CPC.BC.185/07.01.279/98-99 dated April 20, 1999	Measures for Developing the Money Market - Call/Notice Money Market
10.	Ref.No.MPD.2785/279A(MM)/98-99 dated April 24, 1999	Call/Notice Money and Bills Rediscounting Markets - Routing of Transaction
11.	CPC.BC.190/07.01.279/99-2000 dated October 29, 1999	Money Market
12.	CPC.BC.196/07.01.279/99-2000 dated April 27, 2000	Money Market
13.	Ref.No.MPD.3513/279A(MM)/1999-2000 dated April 28, 2000	Call/Notice Money and Bills Rediscounting Markets - Routing of Transactions - Extract from the Statement on Monetary and Credit Policy for the Year 2000-01 dated April 27, 2000
14.	MPD.BC.201/07.01.279/2000-01 dated October 10, 2000	Permission to non-banks to lend in the call money market
15.	MPD.BC.206/07.01.279/2000-01 dated April 19, 2000	Moving towards Pure Inter-bank Call Money Market
16.	DS.PCB.CIR.40/13.01.00/2000-01 dated April 19, 2001	Operations in call/notice money market
17.	MPD.2991/03.09.01/2000-01 dated April 21, 2001	Participation in Call/Notice Money Market
18.	MPD.3173/03.09.01/2000-01 dated May 8, 2001	Participation in Call/Notice Money Market

<b>Sr. No.</b>	<b>Circular Number</b>	<b>Subject</b>
19.	Ref.DBOD.No.FSC.BC.125/24.92.001 /2000-01 dated May 25, 2001	Permission to participate in Call/Notice/Term Money Market and Bills Rediscounting Scheme - Primary Dealers
20.	MPD.BC.214/07.01.279/2001-02 dated April 29, 2002	Money Market - Moving towards Pure Inter-bank Call Money Market
21.	DS.PCB.CIR.52/13.01.00/2001-02 dated June 24, 2002	Reporting of Call Money Transactions
22.	MPD.217/07.01.279/2001-02 dated June 27, 2002	Reliance on Call/Notice Money Market: Prudential Norm
23.	MPD.220/07.01.279/2002-03 dated July 31, 2002	Access to Call/Notice Money Market for Primary Dealers: Prudential Norms.
24.	MPD.222/07.01.279/2002-03 dated October 29, 2002	Money Market
25.	MPD.225/07.01.279/2002-03 dated November 14, 2002	Reliance on Call/Notice Money Market: Prudential Norm
26.	MPD.226/07.01.279/2002-03 dated December 11, 2002	Reliance on Call/Notice Money Market: Prudential Norm
27.	DBOD.FSC.BC.85/24.91.001/2002-03 dated March 26, 2003	Permission to participate in Call/Notice Money Market and Bills Rediscounting Scheme - Private Sector Mutual Funds
28.	DBOD.FSC.BC.86/24.91.001/2002-03 dated March 26, 2003	Permission to participate in Call/Notice/Term Money Market and Bills Rediscounting Scheme - Primary Dealers
29.	MPD.BC.230/07.01.279/2002-03 dated April 29, 2002	Money Market - Moving towards Pure Inter-bank Call Money Market
30.	MPD.BC.234/07.01.279/2002-03 dated April 29, 2003	Participation of Non-bank Entities in Call/Notice Money Market
31.	MPD.BC.235/07.01.279/2002-03 dated April 29, 2003	Reporting of Call/Notice Money Market Transactions on NDS Platform.
32.	MPD.BC.241/07.01.279/2003-04 dated November 3, 2003	Money Market - Moving towards Pure Inter-bank Call/Notice Money Market
33.	MPD.BC.244/07.01.279/2003-04 dated November 5, 2003	Primary Dealers' Access to Call/Notice Money Market
34.	MPD.BC.242/07.01.279/2003-04 dated November 5, 2003	Moving towards Pure Inter-bank Call/Notice Money Market
35.	MPD.BC.250/07.01.279/2003-04 dated May 25, 2004	Moving towards Pure Inter-bank Call/Notice Money Market
36.	MPD.BC.253/07.01.279/2004-05 dated July 3, 2005.	Master Circular on Call/Notice Money Market Operations
37.	MPD.BC.259/07.01.279/2004-05 dated October 26, 2004.	Moving towards Pure Inter-bank Call/Notice Money Market
38.	MPD.BC.260/07.01.279/2004-05 dated December 10, 2004.	Reporting of Call/Notice Money Market Transactions.
39.	MPD.BC.265/07.01.279/2004-05 dated April 29, 2005.	Call/Notice Money Market – Review of Benchmark.
40.	MPD.BC.266/07.01.279/2004-05 dated April 29, 2005.	Participation in Call/Notice Money Market.

