



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

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May 16, 2019

Conversion of Government of India (GoI)'s Securities

The Government of India announces the conversion of its securities through auction for an aggregate amount of ₹2,000 crore (face value). The security-wise details of the conversion are given as under:

Date of Auction	Source Security	Notified Amount of Source Security (FV)	Destination Security
May 20, 2019	8.27% GS 2020 (maturing on June 09, 2020)	₹1,000.00 crore	7.26% GS 2029 (maturing on January 14, 2029)
	7.35% GS 2024 (maturing on June 22, 2024)	₹1,000.00 crore	7.62% GS 2039 (maturing on September 15, 2039)
TOTAL		₹2,000.00 crore	

The market participants are required to place their bids in e-kuber giving the amount of the source security and the price of the source and destination security expressed up to two decimal places.

The auction would be a multiple-price based auction, i.e. successful bids will get accepted at their respective quoted prices for the source and destination securities.

Bids for the auction should be submitted in electronic format on the Reserve Bank of India Core Banking Solution (E-Kuber) system on May 20, 2019 (Monday) between 10.30 a.m. and 12.00 Noon. The result of the auctions will be announced on the same day and settlement will take place on May 21, 2019 (Tuesday).

Government of India reserves the right to:

- Accept offers for less than the notified amount.
- Purchase marginally higher than the notified amount due to rounding-off effect.
- Accept or reject any or all the offers either wholly or partially without assigning any reason.

Operational guidelines for switch transactions and other details are given in the [Annex](#).

Annex**Operational Guidelines for Switch/Conversion Transactions with the Government of India*****Switch module on ekuber***

1. The market participants can bid in the switch auction through the Switch Transaction module provided in the e-kuber portal.

Bidding in a switch transaction

2. Bidding in the auction implies that the market participants agree to sell the source security/ies to the Government of India (GoI) and simultaneously agree to buy the destination security from the GoI at their respective quoted prices.

Placing of bids

3. Each bid should specify the following details:

- I. Amount of the source security (Face Value) that the participants are willing to sell.
- II. Price of the source security (expressed up to two decimal places).
- III. Choice of destination security and the price of the destination security (expressed up to two decimal places), at which the participants are willing to buy the destination security.

4. The participants can choose to bid for any/all the destination security/ies, but the aggregate amount of bids for the source security should not exceed their holdings of the source security in face value terms.

Minimum Bid size

5. Minimum bid size would be ₹10,000 and in multiples of ₹10,000 thereafter. The participants are allowed to submit multiple bids. However, the aggregate amount of bids submitted should not exceed the notified amount of source security in the auction.

Price of source security

6. The price of the source security quoted must be equal to the **FBIL closing price of the source security as on the previous working day.**

7. Bids for source security not as per the price mentioned above will be rejected.

Price of destination security

8. Bids for the destination security may be placed after taking into account the price of source security as mentioned above.

Method of auction

9. The auction will be a multiple-price based auction, i.e. successful bids will get accepted at their respective quoted prices for the source and destination securities.

Auction decision

10. The auction cut-off will be decided for each distinct pair of source and destination securities separately, based on the switch ratio (which is the ratio of the price of the source security to the price of the destination security).

11. The switch ratio would be rounded-off at 8 decimal places.
12. Successful bidders are those who have placed their bids at or below the cut-off switch ratio. All bids higher than the cut-off switch ratio will be rejected.
13. There will be provision of pro-rata allotment, should there be more than one successful bid at the cut-off switch ratio.

Amount of destination security and dealing in odd amounts during switch auction

14. The amount of destination security to be issued for each successful bid will be computed by multiplying the allotted amount (FV) of the source security with the rounded-off switch ratio. The amount of destination security (FV) would be rounded-off to the nearest lower value in multiples of ₹10,000.

15. The odd amount of destination securities (less than ₹10,000) which has been rounded-off, would be notionally allotted and bought back from the bidders at the quoted bid price of the destination security. The net cash consideration to be paid to the bidder for such odd amounts would be the clean price of these securities (as the accrued interest received during notional allotment and paid during notional buyback offset each other).

Fund settlement

16. Though the conversion would be broadly cash neutral, there will be fund settlement for the net accrued interest (accrued interest for the source security FV – accrued interest for the destination security FV) for each bid. Cash consideration (due to rounding-off of face value of destination security) computed for each bid would be added to the net accrued interest. Accordingly, fund settlement will be done for the final amount (Net accrued interest + cash consideration) for each bid.

Note: An **illustration** for the calculation of cash consideration due to rounding-off of destination security face value is as given below:

Amount of Source Security (FV)	₹10,00,00,000.00
Price of Source Security	₹97.50
Price of Destination Security	₹99.20
Switch Ratio (rounded-off at 8 decimals)	0.98286290

Destination Security FV before rounding off	₹9,82,86,290.00
Destination Security FV re-issued after rounding-off	₹9,82,80,000.00
Odd amount of rounded-off destination security (FV)	₹6290.00
Cash consideration due to rounding off (Clean Price calculated at the quoted price of destination security)	₹6340.00

17. The settlement of the auction would be held on T+1 basis.

Help Desk

18. In case of technical difficulties, Core Banking Operations Team should be contacted ([email](#); Phone nos: 022-27595591, 592 and 599). For other auction related difficulties, IDMD auction team can be contacted ([email](#); Phone no: 022-22702431, 022-22705125).