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| http://kannanpersonal.com/inbank/image/sy102c.gif  Personal Website of R.Kannan Learning Circle - Financial Services & Financial Mangement - Discount And Finance House of India Ltd |

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|  | Discount And Finance House of India Ltd (DFHI)  DFHI was set up in March 1988 by Reserve Bank of India jointly with public sector banks and all India Financial Institutions to develop the money market and to provide liquidity to money market instruments as a sequel to Vaghul Working Group recommendations. With the introduction of new money market instruments such as Certificates of Deposits and Commercial Paper, DFHI began dealing in these instruments as well. With effect from 1992-93, DFHI was authorised to deal in dated Government Securities. After DFHI was accredited as a Primary Dealer in February 1996, its operations significantly increased particularly in Treasury Bills and dated Government Securities. During these years, DFHI opened its branches at Ahmedabad, Bangalore, Calcutta, Chennai, New Delhi and very recently at Hyderabad with a view to catering to the requirements of the small and medium sized institutions operating at these centres and at the sametime integrating the markets at these regional centres with main money market at Mumbai.  Objectives of DHFI   1. To even out the liquidity imbalances in the banking system i.e. to balance the demand with the supply for short term finance in the money market. 2. To promote secondary market in short term money market instruments i.e. to be an active trader in money market instruments rather than a mere repository, and thereby, impart improved liquidity to short term money market instruments. 3. to integrate markets at regional centres with the main market at Mumbai, through its network. 4. Provide safe and risk-free short-term investment avenues to institutions; DFHI being an institution promoted by the public sector banks/financial institutions and RBI, enjoys excellent credit rating in the market. 5. Provide greater liquidity to money market instruments. 6. Facilitate money market transactions for small and medium sized institutions who are not regular participants in the market. 7. DFHI provides the 'Constituent SGL' Account facility which enables even those entities which otherwise do not have an SGL Account facility with the RBI to reap the full benefits of investing in government securities.   DFHI was incorporated on March 8, 1988 under the Companies Act, 1956 with an authorised share capital of Rs.100 crore subscribed by the RBI (Rs.51 crore), Public Sector Banks (Rs.33 crore) and All-India Financial Institutions (Rs.16 crore). The Company received the certificate of commencement of business on April 25, 1988. The initial paid-up capital of Rs.100 crore was increased to Rs.150 crore in 1989-90 and further to Rs.200 crore during 1991-92. This was done with a view to broadbase its activities and further enhance its role in the development of money market. In September 1994, the Reserve Bank of India started the process of divestment of part of its share holding in DFHI in favour of other shareholding institutions.  DFHI since its inception has been actively trading in all the money market instruments (viz. call/notice/term money, commercial bills, treasury bills, certificates of deposit and commercial paper) and its business turnover has grown progressively over the years. With effect from the year 1992-93, DFHI has been authorised to deal in dated Government securities also.  DFHI mobilises funds/resources from commercial/cooperative banks, financial institutions and corporate entities having lendable resources (which individually may not represent tradable volumes in wholesale market) which are pooled and lent in the money market. The two way regular quotes in money market instruments provided by DFHI serve as a base, to broaden the secondary market and give an assured liquidity to the instruments which is a pre-requisite for a developed money market. After the Company was accredited as a Primary Dealer in February 1996, its operations have increased significantly particularly in Treasury Bills and dated Government Securities. DFHI also provides the Constituent SGL Account facility which enables even those entities which are otherwise not eligible to have an SGL Account facility with the RBI to enjoy the benefits of investment in Government securities.  DFHI was categorised as an eligible institution under the relevant provisions of the RBI Act, 1934, in November 1989 so that placement of funds with DFHI can be included as an asset with the banking system for netting purposes while calculating Net Demand & Time Liabilities (NDTL) for reserve purposes. DFHI with its large customer base and reach has provided higher liquidity to the borrowing institutions at market related rates as also helped the small banks, institutions and corporate entities to secure competitive price for their surplus resources. DFHI is also an authorised institution to undertake 'REPO' transactions in Treasury Bills and all dated Government securities to further facilitate money transactions by participants in the money market and at the same time impart greater liquidity to Treasury Bills and dated Government Securities.  Money Market Instruments in which DFHI Deals  DFHI deals in the following instruments/products:   1. Treasury Bills 2. Dated Government Securities 3. Certificates of Deposit 4. Commercial Papers 5. Call (overnight) Money 6. Notice Money 7. Term Money 8. Derivative Usance Promissory Notes of Commercial Banks 9. Interest Rate Swaps/Forward Rate Agreements   CONSTITUENT SGL ACCOUNT  DFHI has opened a 'Constituent SGL' account with the RBI. According to the procedure laid down by RBI, customers of DFHI can open Constituent SGL Accounts with DFHI. Their holdings in T-Bills and dated government securities are transacted through this account  When a purchase is made from DFHI, the corresponding security will be transferred from DFHI's normal SGL Account to the 'Constituents SGL' Account. A certificate of holding will be issued by the DFHI for the records of the investor. As and when maturity proceeds and interest (if any) are received, the same will be passed on to the constituent.  In case the constituent desires to disinvest, the same can be done and DFHI will transfer the security from its Constituents Account on receipt of authorisation from the holder.  Apart from transactions with DFHI, other purchases of Government securities can also be parked in this account and sales from available balances can be made. In case of purchases parked, either SGL transfers from the sellers or duly endorsed physical scrips will have to be submitted to DFHI for necessary transfers in the RBI books.  Investment opportunity to PSUs and Corporates in Call Money  Public Sector Organisation (PSUs) and Corporates are allowed to lend their surplus resources through DFHI in money market, subject to approval of RBI. The minimum size of transaction as stipulated by RBI at present is Rs.3 crore.  Trading /Investment in Government Securities/Treasury Bill through Constituents' Subsidiary General Ledger Account (SGL Account)  The Corporates, Provident Fund and Co-operative banks, regularly invest in Government securities either to meet their statutory obligations or to invest their surplus funds. Government securities and Treasury Bills are default-free investments and at the same time provide reasonable returns. Investments in Government securities can be in physical or demat form. Those who wish to hold such securities in demat form and who do not have SGL account with RBI may open Constituent SGL account with us. It is possible for Corporate/Provident Fund/Co-operative banks to purchase/sell and hold Government securities through such an account. Purchases/sales etc. can be settled by negotiations either through our Dealers at branches or through our Dealing Room in Mumbai, Head Office  The affairs of the Company are managed by a Managing Director under the overall supervision of the Board of Directors. The Board is represented by very senior persons/Chief Executives from Reserve Bank of India, Nationalised Banks and Public Financial Institutions. By virtue of SBI being a major shareholder, it has been lending the services of one of its Chief General Managers who functions as the Managing Director of the Company. The Managing Director is assisted by a team of senior executives with rich experience in treasury activities. There are also currently few officials on deputation from RBI/SBI assisting the Company. |
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