G-sec Acquisition Programme (G-SAP 2.0)

August 21, 2021

In news- Recently, the RBI said that it will conduct an open market purchase of government securities of Rs.25,000 crore in August under the G-sec Acquisition Programme (G-SAP 2.0).

About G-SAP-

- The Reserve Bank periodically purchases Government bonds from the market through Open Market Operations (OMOs).
- G-SAP is like OMOs.
- However, under G-SAP, there is an upfront commitment by the RBI to the markets that it will purchase bonds worth a specific amount.
- Eligible participants should submit their bids in electronic format on the Reserve Bank of India Core Banking Solution (E-Kuber) system.

Under G-SAP the Reserve Bank reserves the right to:

- Decide on the quantum of purchase of individual securities.
- Accept bids for less than the aggregate amount.
- Purchase marginally higher/lower than the aggregate amount due to rounding-off.
- Accept or reject any or all the bids either wholly or partially without assigning any reasons.

G-sec Acquisition Programme (G-SAP 1.0)-

- RBI aimed to conduct open market purchase of government securities of Rs.1 lakh crore under the G-sec Acquisition Programme (G-SAP 1.0) with a view to enabling a stable and orderly evolution of the yield curve.

- The first purchase of government securities for an aggregate amount of Rs.25,000 crore under G-SAP 1.0 was conducted on April 15, 2021.
- RBI announced the second tranche (Rs. 35000 crore) of Open Market Purchase of Government of India Securities under G-sec Acquisition Programme (G-SAP 1.0) in May.

- The Reserve Bank will conduct an open market purchase of government securities of Rs.1.2 lakh crore under the G-sec Acquisition Programme (G-SAP 2.0) in Q2:2021-22 to support the market.
- The first purchase of Government securities for an aggregate amount of Rs. 20,000 crore under G-SAP 2.0 was conducted on July 08, 2021.

What is Government Security (G-Sec) ?

- G-Sec 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).
- In India, the Central Government issues both, treasury bills and bonds or dated securities while the State Governments issue only bonds or dated securities, which are called the State Development Loans (SDLs).
- G-Secs carry practically no risk of default and, hence, are called **risk-free gilt-edged instruments.**

They are **issued through auctions conducted by RBI,** on the electronic platform called the **E-Kuber,** the Core Banking Solution (CBS) platform of RBI.