

FIMCIR/2009-10/24

31st August, 2009

To,

All FIMMDA Members

Dear Sir/Madam

**Interest Rate Futures
Clarification regarding Para 3. (iii) of
RBI Notification No, FMD.1/ED(VKS) - 2009 dated August 28, 2009**

There have been a number of queries regarding the captioned paragraph in the RBI Notification dated August 28, 2009.

We have discussed the matter with the concerned officials in Reserve Bank of India, and have been advised as follows:

- i) The paragraph in question is a part of a "notification" , which is necessary to convey to all entities regulated by Reserve Bank of India.
- ii) Scheduled Commercial Banks , Primary Dealers, and All India Financial Institutions have already been allowed to use Exchange Traded Interest Rate Derivatives for hedging vide RBI Circular IDMC.MSRD.4801/06.01.03/2002-03 dated June 3, 2003.
- iii) Primary Dealers have already been allowed to hold trading positions in Interest Rate Futures vide RBI Circular IDMD.PDRS.4802(A)/03.64.00/2002-03 dated June 11, 2003.
- iv) Banks were also allowed to take trading positions in Interest Rate Futures, vide RBI Circular DBOD.BP.BC. No. 56/21.04.157/2008-09 dated October 13,2008.
- v) Banks are not allowed to undertake transactions in IRFs on behalf of clients, vide RBI Circular DBOD.BP.BC.34/21.04.157/2009-10 dated August 28, 2009.

Based on the above, RBI has conveyed that no separate permission is required by Scheduled Commercial Banks and Primary Dealers and AIFIs to participate in Exchange Traded Interest Rate Futures.

Members are requested to follow the above circulars and other instructions conveyed in the captioned notification.

With regards,

Yours truly,

C.E.S.Azariah
Chief Executive Officer