

May 16, 2007

The Chairman / Chief Executive Officer,
All Commercial Banks (excluding RRBs and LABs) and
Primary Dealers

Dear Sir,

**Annual Policy Statement 2007- 08: Draft
Guidelines on Credit Default Swaps**

Please refer to paragraph 175 of the Annual Policy Statement 2007 – 08 wherein it was indicated that as a part of the gradual process of financial sector liberalization in India it is considered appropriate to introduce credit derivatives in a calibrated manner at this juncture. Accordingly, to begin with, it has been decided to permit Commercial Banks and Primary Dealers to begin transacting in single-entity credit default swaps.

2. In view of the complexities involved it has been decided to initially issue the proposed guidelines for implementation as a first draft for comments and feedback from various stake holders. The draft guidelines putting in place a regulatory framework for transacting of credit default swaps is given in the Annex.

3. Your comments / feedback should be sent to the undersigned at the following address and by email within one month from the date of this letter.

Department of Banking Operations and Development
Reserve Bank of India
12th floor, Central Office Building
Shahid Bhagat Singh Marg
Mumbai – 400 001

Yours faithfully,

(Prashant Saran)
Chief General Manager-in-Charge