

## *Press Releases*

### Market Stabilisation Scheme: Revision of Ceiling

**August 8, 2007**

The Government of India, in consultation with the Reserve Bank, has further revised the ceiling for the outstandings under the Market Stabilisation Scheme (MSS) for the year 2007-08 to Rs.1,50,000 crore. The threshold at which the ceiling will be reviewed in future will now be Rs.1,35,000 crore. Consequent upon the MSS auction of dated security held today, the MSS outstanding will be at Rs. 98,970 crore.

The Reserve Bank, under the existing arrangements, subject to variations in liquidity, announces every Friday the auctions under the MSS, covering the Treasury Bills and dated securities, if any, for the succeeding week. These arrangements would continue until further notice.

### RBI transfers surplus profit to Government of India

**August 9, 2007**

The Reserve Bank of India's Central Board, in its meeting held today, approved the transfer of surplus profit to the Government of India amounting to Rs.45,719.60 crore for the year ended June 30, 2007. It includes Rs.34,308.60 crore on account of profit on sale of SBI shares held by the Reserve Bank to the Government of India. Excluding this amount, the transfer of surplus for the year ended June 30, 2007 amounts to Rs.11,411.00 crore, as against Rs.8,404.00 crore for the year ended June 30, 2006.

## RBI Constitutes Working Group on Interest Rate Futures

**August 9, 2007**

The Reserve Bank has constituted a Working Group on Interest Rate Futures. The Group would analyse the experience with Interest Rate Futures so far and focus, *inter alia*, on product design issues. The Group would revisit the recommendations of the earlier Committees in this area while making its own recommendations.

Interest Rate Futures products were introduced in India in June 2003. In the context of continued financial market development, the need for making available a credible choice of risk management instruments to market participants to cope with interest rate risk was discussed in the 25th and the 26th meeting of the Technical Advisory Committee (TAC) on Money, Foreign Exchange and Government Securities Markets in December 2006 and July 2007, respectively. On the suggestion of the TAC, the Reserve Bank has now set up a Working Group. The terms of reference of the Working Group are as follows:

- (i) To review the experience with the Interest Rate Futures so far, with particular reference to product design issues and make recommendations for activating the Interest Rate Futures.
- (ii) To examine whether regulatory guidelines for banks for Interest Rate Futures need to be aligned with those for their participation in Interest Rate Swaps.
- (iii) To examine the scope and extent of the participation of non-residents, including Foreign Institutional Investors (FIIs), in

Interest Rate Futures, consistent with the policy applicable to the underlying cash bond market.

- (iv) To consider any other issues germane to the subject matter.

The members of the Working Group are as follows :

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| 1. Shri V.K. Sharma<br>Executive Director<br>Reserve Bank of India   | Chairman |
| 2. Shri Neeraj Ghambhir<br>Chairman,<br>Fixed Income Money<br>Market and Derivatives<br>Association of India | Member   |
| 3. Shri Uday Kotak<br>Managing Director &<br>Chief Executive Officer<br>Kotak Mahindra Bank Ltd.             | Member   |
| 4. Shri A.P. Kurian<br>Chairman<br>Association of Mutual<br>Funds in India                                   | Member   |
| 5. Shri M.M. Lateef Deputy<br>Managing Director &<br>Chief Financial Officer<br>State Bank of India          | Member   |
| 6. Dr. T.C. Nair<br>Whole Time Member,<br>Securities & Exchange<br>Board of India                            | Member   |
| 7. Shri Ravi Narain<br>Managing Director<br>National Stock Exchange  | Member   |
| 8. Dr. Susan Thomas<br>Assistant Professor,<br>Indira Gandhi Institute of<br>Development Research            | Member   |

The Group would submit its report to the Reserve Bank within three months of its first meeting.

## The Committee on Financial Sector Assessment Constitutes Four Advisory Panels

**August 10, 2007**

A Committee on Financial Sector Assessment (CFSA) constituted by the Government of India in consultation with the Reserve Bank of India (Chairman: Dr. Rakesh Mohan, Deputy Governor, Reserve Bank of India; Co-Chair: Dr. D. Subbarao, Finance Secretary, Government of India) has been undertaking a comprehensive assessment of the Indian financial sector focusing upon stability and development. An integral component of the exercise would be a detailed assessment of the status and implementation of various international financial standards and codes.

2. To assist the Committee in the process of assessment, the CFSA has decided to constitute four Advisory Panels respectively for the assessment of Financial Stability Assessment and Stress Testing, Financial Regulation and Supervision, Institutions and Market Structure and Transparency Standards. The Advisory Panels will prepare separate Reports covering each of the above aspects. The Advisory Panels comprise of non-official experts with domain knowledge in respective areas and officials with similar expertise represented as Special Invitees. The panels would have the option of co-opting as special invitees any other experts as they deem fit.

3. The Advisory Panel on Financial Stability Assessment and Stress Testing (Chairman: Shri M.B.N Rao, Chairman and Managing Director, Canara Bank) would conduct macro prudential surveillance (including system level stress testing) to assess the soundness and stability of financial system and suggest measures for strengthening the financial structure and system and its development in a medium-term perspective.

4. The other three panels would identify and consider the relevant standards and codes as currently prescribed and applicable to different areas, evaluate their implementation in the Indian context, identify gaps in adherence to respective standards and suggest possible roadmaps towards compliance in a medium-term perspective. The Advisory Panel on Financial Regulation and Supervision (Chairman: Shri M.S. Verma, Former Chairman, State Bank of India) would consider the relevant standards and codes applicable for financial regulation and supervision pertaining to the banking sector, securities markets and insurance; the Advisory Panel on Institutions and Market Structure (Chairman: Shri C.M. Vasudev, Former Secretary, Economic Affairs, Government of India) would consider the relevant standards and codes applicable to bankruptcy laws, accounting and auditing, payment and settlement systems and corporate governance policies; and the Advisory Panel on Transparency Standards (Chairman: Shri Nitin Desai, Former Under-Secretary-General, United Nations) would consider the relevant standards and codes applicable for transparency in monetary, financial, fiscal and data dissemination policies.

5. The Committee had earlier set up Technical Groups in all the above subject areas which have progressed with technical work in respective areas. These Groups would provide the Panels with technical notes and background material as necessary.