

June 28, 2006

**Chairmen/Chief Executive Officers
All Commercial Banks**
(excluding RRBs and LABs)

Dear Sir/Madam,

Discussion Paper on Derivative and Hedge Accounting by banks

An internal Group was constituted for formulating the guidelines to be issued to banks on derivative and hedge accounting aspects. The Group has submitted its proposals in this regard, which are largely based on the principles of IAS 39. As this is an evolving area and since it is necessary for banks to understand the full implications of the proposed framework it has been decided to initially issue the proposed accounting framework as a 'Discussion Paper' for comments and feedback from banks. The Discussion Paper will be available for comments for a period of six weeks. A copy of this letter and the attached '[Discussion Paper](#)' has also been placed on the Reserve Bank's website (www.rbi.org.in) for wider dissemination.

2. You may please arrange to study the proposed framework for derivative and hedge accounting in your bank and furnish your comments. The feedback may please be forwarded to the undersigned at the following address or by email to kdamodaran@rbi.org.in and minalajain@rbi.org.in within a period of six weeks from the date of this letter :

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

3. Please acknowledge receipt.

Yours faithfully,
(Prashant Saran)
Chief General Manager-in-Charge