

RBI/2008-09/217

DBOD.BP.BC. No.56 /21.04.157/2008-09

October 13 , 2008

The Chairman/ Chief Executive Officers
All commercial Banks
(excluding RRBs and LABs)

Dear Sir,

Guidelines on Exchange Traded Interest Rate Derivatives

Please refer to the guidelines on Exchange-Traded Interest Rate Derivatives issued vide our circular IDMC.MSRD.4801/06.01.03 dated June 3, 2003. In terms of this circular, banks were permitted to transact in Interest Rate Futures (IRFs) for the purpose of hedging the risk in their underlying investment portfolio.

2. It has now been decided to allow banks to take trading positions also in IRFs. Other provisions of above mentioned circular will continue to remain effective.

3. These guidelines will also be applicable to overseas branches of Indian banks.

Yours faithfully,

(Prashant Saran)
Chief General Manager-in-Charge