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RBI's Compliance with the G-20 Commitment on Reporting of OTC Derivative Trades to Trade Repository

The G-20 Declaration of the Pittsburgh Summit of September 24-25, 2009 has outlined several reform measures for improving the Over-the-counter (OTC) Derivative markets including reporting of OTC Derivative contracts to Trade Repository. RBI, being the regulator of OTC interest rate and foreign exchange derivatives in India, was required to take appropriate steps to ensure compliance with the G-20 commitments.

Following an announcement in the Annual Monetary Policy for the year 2010-11, a Working Group (Chairman: Shri P. Krishnamurthy) was constituted in June 2010 to work out the modalities for an efficient, single point reporting mechanism for all OTC interest rate and foreign exchange derivative transactions. Based on the recommendations of the Working Group submitted in May 2011, it was decided that RBI should mandate reporting of all interbank OTC foreign exchange derivatives and all/selective trades in OTC foreign exchange and interest rate derivatives between the Banks/PDs and their clients to the Clearing Corporation of India Limited (CCIL)'s reporting platform. It is pertinent to mention that RBI had already put in place a reporting arrangement for interbank/PD transactions in Rupee Interest Rate Swap (IRS)/ Forward Rate Agreement (FRA) in August 2007 itself.

RBI coordinated with CCIL for the development of the reporting platforms and designing of the reporting formats taking into account the list of potential data fields suggested in the CPSS-IOSCO's Report on OTC derivatives data reporting and aggregation requirements and the requirements in the Indian context. CCIL has also developed the confidentiality protocols for reporting of client transactions in consultation with the market representative bodies. The CCIL's reporting platform for OTC foreign exchange derivatives was introduced on July 9, 2012 and was expanded thereafter in three phases to cater to the reporting of interbank and client transactions (threshold of USD 1 million and equivalent in other currencies) in various actively used derivative instruments. The last phase was rolled out recently on December 30, 2013, in which reporting of client transactions in Rupee IRS/FRA was also covered. The reporting platform for Credit Default Swaps (CDS) was put in place from the date of introduction of the instrument itself, i.e., December 1, 2011.

The trade reporting arrangement for various OTC interest rate, foreign exchange and credit derivatives has since been completed. The arrangement covers the following instruments:

- (i) Rupee IRS/FRA
- (ii) Foreign Exchange Forwards
- (iii) Foreign Exchange Options
- (iv) FX Swaps
- (v) Currency Swaps
- (vi) IRS/FRA in foreign currencies
- (vii) CDS

RBI will periodically assess the extent of use of various OTC derivative instruments and will introduce reporting for other derivative instruments as and when market participants start actively using these instruments. Going forward, the reporting of OTC derivative transactions will facilitate RBI's conduct of surveillance of OTC derivative markets, financial stability assessments, micro-prudential supervision of banks and PDs, etc., apart from enhancing transparency of the OTC derivative markets in India.

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