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June 28, 2013

RBI sets up Committee on Financial Benchmarks

In the context of the recent global developments relating to financial benchmarks and the related reforms implemented by various international agencies, there is a need to review the process of computation and dissemination of major financial benchmarks in India, the governance mechanisms in the institutions involved in computing the benchmarks and other related issues. The Reserve Bank of India has constituted a committee to study various issues relating to financial benchmarks.

The Committee would be chaired by Executive Director, Shri P. Vijaya Bhaskar and it would have representation from select market participants, CCIL and academia. Senior Officers from RBI (Financial Markets Department, Department of Banking Operations and Development, Legal Department) will also be members of the committee.

The terms of reference of the committee will be as under:

- (i) Study all major financial benchmarks in India with a view to assessing their current relevance/usage, fallback mechanisms in place in the event of benchmark being rendered obsolete and suggest changes, if any, for inclusion of new benchmarks or exclusion of some of the existing benchmarks.
- (ii) Study international experience in addressing issues relating to benchmarks and draw suitable lessons therefrom relevant to the Indian context.
- (iii) Examine the governance mechanisms within the organizations computing the benchmarks with a view to assessing conflicts of interest, if any, and suggest measures for mitigating such conflicts and enhancing transparency.
- (iv) Examine the need for regulators' involvement in computation and dissemination of benchmarks and if so, advise on appropriate systems and processes therefor.
- (v) Suggest suitable mechanisms for dealing with transition issues arising out of legacy contracts in the event of markets shifting to a new benchmark.
- (vi) Propose a system of supervisory oversight in respect of institutions involved in computing /disseminating the benchmarks.
- (vii) Study and advise on any other related issues.

The committee has been directed to submit its report latest by December 31, 2013.