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**RBI Working Paper No. 01 /2024:
Pricing of Interdealer OTC Derivatives in a Limit Order Market**

Today the Reserve Bank of India placed on its website a Working Paper titled "[Pricing of Interdealer OTC Derivatives in a Limit Order Market](#)" under the Reserve Bank of India Working Paper Series¹. The Paper is co-authored by Vidya Kamate and Abhishek Kumar.

The paper examines the trading behaviour and prices in an interdealer market populated by traders of varying liquidity needs using interdealer trade-level data on Overnight Indexed Swaps (OIS) in India.

The analysis highlights that:

- i) Inactive investors, proxied by traders' lower level of trading volume in the previous quarter, received a lower return relative to active investors when trading outside the Central Limit Order Book (CLOB) venue but received relatively better returns on it.
- ii) Active investors preferred trading on CLOB (faster venues) consistent with their venue choice being driven by their speed preference.
- iii) Inactive traders submitted limit orders and faced slower execution whereas active traders submitted market orders and received quicker execution on CLOB.

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(Yogesh Dayal)
Chief General Manager

¹ The Reserve Bank of India (RBI) introduced the RBI Working Papers series in March 2011. These papers present research in progress of the staff members of the RBI and at times also those of external co-authors, when the research is jointly undertaken. They are disseminated to elicit comments and further debate. The views expressed in these papers are those of the authors and not necessarily those of the institution(s) to which they belong. Comments and observations may please be forwarded to the authors. Citation and use of such papers should take into account its provisional character.