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RESERVE BANK OF INDIA

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Statement on Developmental and Regulatory Policies

This Statement sets out various developmental and regulatory policy measures relating to (i) Financial Markets ; (ii) Cybersecurity ; and (iii) Payment Systems.

I. Financial Markets

1. Introduction of forward contracts in Government securities

Over the past few years, the Reserve Bank has been expanding the suite of interest rate derivative products available to market participants to manage their interest rate risks. In addition to Interest Rate Swaps, products such as Interest Rate Options, Interest Rate Futures, Interest Rate Swaptions, Forward Rate Agreements, etc. are available to market participants. We have been receiving feedback about the need to allow forward contracts in Government securities to enable further market development. Such forward contracts will enable long-term investors such as insurance funds to manage their interest rate risk across interest rate cycles. They will also enable efficient pricing of derivatives that use bonds as underlying instruments. Draft directions in this regard were issued in December 2023. The final directions, taking into account the public feedback, will be issued shortly.

2. Access of SEBI-registered non-bank brokers to NDS-OM

The Negotiated Dealing System – Order Matching (NDS-OM) is an electronic trading platform for secondary market transactions in government securities. Access to NDS-OM is, at present, available to regulated entities and to the clients of banks and standalone primary dealers. With a view to widening access, it has been decided that non-bank brokers registered with SEBI can directly access NDS-OM, on behalf of their clients. These brokers may access NDS-OM subject to the regulations and conditions laid down by the Reserve Bank in this regard. Necessary instructions are being issued separately.

3. Comprehensive review of trading and settlement timings across various market segments

Synchronized and complementary market and settlement timings across various financial market segments can facilitate benefits of efficient price discovery and optimization of the liquidity requirements. Over the last few years, there have been several developments including increased electronification of trading, availability of forex and certain interest rate derivative markets on a 24X5 basis, increased participation of non-residents in domestic financial markets and availability of payment

systems on a 24X7 basis. Accordingly, it has been decided to set up a working group with representation from various stakeholders to undertake a comprehensive review of trading and settlement timing of financial markets regulated by the Reserve Bank. The Group is expected to submit its report by April 30, 2025.

II. Cybersecurity

4. Enhancing Trust in the Financial Sector through 'bank.in' and 'fin.in' domains

Increased instances of fraud in digital payments are a significant concern. To combat the same, the Reserve Bank of India (RBI) is introducing the 'bank.in' exclusive Internet Domain for Indian banks. This initiative aims to reduce cyber security threats and malicious activities like phishing; and, streamline secure financial services, thereby enhancing trust in digital banking and payment services. The Institute for Development and Research in Banking' Technology (IDRBT) will act as the exclusive registrar. The actual registrations will commence from April 2025. Detailed guidelines for banks will be issued separately. Going forward, it is planned to have an exclusive domain viz., "fin.in" for other non-bank entities in the financial sector.

III. Payment Systems

5. Enabling Additional Factor of authentication in cross-border Card Not Present transactions

Introduction of Additional Factor of Authentication (AFA) for digital payments has enhanced the safety of transactions which, in turn, provided confidence to customers to adopt digital payments. This requirement, however, is mandatory for domestic transactions only.

In order to provide a similar level of safety for online international transactions using cards issued in India, it is proposed to enable AFA for international card not present (online) transactions as well. This will provide an additional layer of security in cases where the overseas merchant is enabled for AFA. Draft circular will be issued shortly for feedback from stakeholders.

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