

Fixed Income Money Market and Derivatives Association of India (FIMMDA) Statement on Financial Benchmarks

- 1) The Reserve Bank of India (“RBI”) announced implementation of the recommendations of its Committee on Financial Benchmarks in the first bi-monthly monetary policy statement for 2014-15 on April 1, 2014. The Committee recommended, inter alia, the following changes to the financial benchmarks:

- (a) The following benchmarks will be replaced with CCIL’s volume weighted average overnight traded rate:

Benchmark	Last day of publication of existing benchmark
FIMMDA- NSE overnight MIBID	21 st July 2015
FIMMDA-NSE overnight MIBOR	21 st July 2015

- (b) The calculation methodology of the FIMMDA-NSE overnight MIBID/MIBOR will be changed from using the current polling based method to the actual transaction based method where a single volume weighted average overnight traded rate will be calculated based on transactions executed between 9 AM and 10 AM on NDS call system excluding reported and reciprocal deals using the methodology described and appearing on CCIL/FIMMDA websites. The last day of publication of the existing FIMMDA-NSE overnight MIBID/ MIBOR will be 21st July 2015 and the new CCIL volume weighted average overnight traded rate to be called FBIL-OVERNIGHT-MIBOR will commence to be published on and from 22nd July 2015.

- 2) The above changes are in line with the recommendations set out in the Committee’s report for strengthening the benchmark setting methodology of the overnight MIBOR. The shift from the FIMMDA-NSE overnight polled MIBID/MIBOR to FBIL-OVERNIGHT-MIBOR is an important move in the direction of shifting from polling based system to transaction based system for determination of financial benchmarks.
- 3) FIMMDA recommends that the FBIL-OVERNIGHT-MIBOR shall apply, on a prospective basis, to OTC derivatives that have trade dates on or after 22nd July 2015.
- 4) With respect to OTC derivative contracts with trade dates that precede 22nd July 2015 that remain outstanding on such date and have fixings based on the existing FIMMDA-NSE overnight MIBID/MIBOR, FIMMDA recommends that parties mutually agree to amend such contracts to reference the FBIL-OVERNIGHT-MIBOR.

To assist parties who are market makers, i.e. banks and primary dealers that wish to make the amendments described in sub-paragraphs (a) above, FIMMDA will publish a Multilateral Amendment Agreement (**2015-MAA**) - it is intended that the 2015-MAA will be published and open for adherence on 25th June 2015 and that the adherence period will close on 16th July 2015.

A bilateral version of the 2015-MAA will also be published for market makers to use with their counterparties. It is advisable that the market makers have the BAA executed with their counterparties before the Effective Date, i.e 22nd July 2015.