<u>Press statement from FBIL on publication of FBIL overnight MIBOR dated 22nd June, 2015</u>

<u>FBIL commences operations with publication of overnight benchmark rate FBIL-Overnight Mibor</u>

The Board of Financial Benchmarks India Private Limited (FBIL) has decided to take over the administration of the overnight inter-bank MIBOR benchmark rate (so far being published by the National Stock Exchanges (NSE) as a first step in the process of taking over responsibility of benchmark setting over a period of time. Based on a detailed analysis of overnight call money market data, the Board has decided to adopt a benchmark based on trade weighted inter-bank call money transactions on the Clearing Corporation of India Ltd's (CCIL) NDS-Call platform between 9 A.M. and 10 A.M. The new benchmark will be known as the **FBIL Overnight Mumbai Interbank Outright Rate** (FBIL-Overnight Mibor). CCIL will be the calculating agent. The approved methodology (Annex) for the benchmark is also being placed on the websites of Fixed Income, Money Market and Derivatives Association of India (FIMMDA) and Clearing Corporation of India Ltd(CCIL). The FBIL Board also noted that the methodology will be continuously reviewed in the light of further data and developments in best practices for domestic and global markets.

The FBIL-Overnight Mibor shall apply on a prospective basis to contracts that have trade dates on or after Wednesday, July 22, 2015 (the effective date). The current FIMMDA-NSE MIBOR polled overnight benchmark will cease to be published from the effective date. All transactions outstanding on the effective date referenced to the current benchmark FIMMDA-NSE MIBOR will automatically switch to the new reference rate once the bilateral and multilateral documents drafted for this purpose by M/s Juris Corp in consultation with ISDA are executed. All market participants may enter into these agreements and adhere to the timelines stipulated by FIMMDA to facilitate smooth transition.

The FBIL proposes to take over administration of forex benchmarks and other Indian Rupee interest rate benchmarks over a period of time after careful examination of the methodology and utility to the financial markets in consultation with the stakeholders. There will be periodic

review of the benchmark methods to ensure that they are robust and conform to the best governance standards.

Background

In the wake of developments involving misconduct relating to financial benchmarks in international financial markets, the Reserve Bank of India set up the Committee on Financial Benchmarks in June 2013 which reviewed the process of computation and dissemination of major financial benchmarks in India and gave recommendations on the governance framework.

As part of the measures to initiate reforms in the area of benchmark setting, FBIL was jointly formed by FIMMDA, Foreign Exchange Dealers' Association of India (FEDAI) and Indian Banks' Association (IBA). FBIL was incorporated in December 2014 and has commenced operations in February 2015. The Board of Directors of FBIL is headed by Ms. Usha Thorat, former Deputy Governor RBI, with Mr. C.E.S. Azariah, Mr. D.G. Patwardhan, Dr. N. R. Prabhala, Mr. D.V.S.S.V.Prasad and Mr. Sangeet Shukla as the other directors.

Annex

Methodology for FBIL Overnight MIBOR.

Calculation Agent – Clearing Corporation of India Ltd.

- All trades executed on NDS-Call system excluding reciprocal and reported Deals within the first hour of trading (currently from 9.00 A.M. to 10.00 A.M.) will be used for computation of the benchmark Overnight Rate. The trades will be pulled out from the NDS-CALL system immediately after the cut-off time.
- Only T+0 Settlement deals are to be picked up for calculation of Overnight Weighted Average Rate that will be called FBIL Overnight Mumbai Inter-Bank Outright Rate (FBIL-Overnight Mibor).

- For any weekday, the maturity of the deals picked up for computation of FBIL-Overnight Mibor should be of the next succeeding Mumbai Business Day excluding Saturdays. For example, if Friday is a holiday but succeeding Monday is a Mumbai Business working day, FBIL-Overnight Mibor calculation on Thursday will pick up trades with a maturity of 4 days. Only trades for Rs. 5 crore or above are retained for further calculation.

- A minimum of 10 trades with a total traded value of Rs.500 crore in the NDS-Call segment will be considered as the minimum threshold limit (both) for estimation of the volume weighted average rate.

- In case either of the criteria mentioned in the above paragraph is not met, the timeframe for computation of rates will be extended by 30 minutes first and if the threshold criteria are still not met, then by another 30 minutes. If the threshold criteria are not met even after the two extensions, no rate computation will be initiated. The Previous Day's values will be used for dissemination. This may continue for a maximum of two consecutive working days (in case the threshold criteria are not met) after which if the threshold criteria are still not met, CCIL will not disseminate any rate on such days and Banks will use their own fallback mechanism. There will be a notification to that effect published on CCIL/FIMMDA websites.

- The Weighted Average Rate and Standard Deviation (STDEV) are calculated for the retained trades after meeting the threshold criteria. These numbers will be rounded off to two decimal places.

- A rate Range will be computed – Max will be Weighted Average Rate + 3* Standard Deviation and Min will be Weighted Average Rate - 3* Standard Deviation.

- Any trades at rates outside the said Max and Min range will be considered as outliers and dropped from the data (i.e. Higher than Max and Lower than Min).

- The final volume weighted average rate and standard deviation will then be computed using the remaining trades. The said numbers would be rounded off to two decimal places at each stage.

- The rates so calculated as per the above methodology will be sent to the Benchmark Administrator, for vetting and will be published on receiving approval.

- On receiving approval, the Final Rate with Standard Deviation will be released as FBIL-Overnight Mibor for the day by 10.45 A.M on the websites of FIMMDA and CCIL or such websites as may be notified. If the time is extended due to non-fulfillment of the threshold criteria, the dissemination time will be suitably extended.

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