

FIMCIR/2025-26/04

April 30, 2025

All Members / Stakeholders,

Subject: Bond Forward Settlement Basis and Market Conventions

Reserve Bank of India has issued Reserve Bank of India (Forward Contracts in Government Securities) Directions, 2025 vide circular (RBI/2024-25/117 FMRD.DIRD.16/14.03.042/2024-25) dated February 21, 2025.

Paragraph 5 (v) of the directions stipulate that the settlement basis and market conventions for bond forward transactions shall be specified by the Fixed Income Money Market and Derivatives Association of India (FIMMDA), in consultation with market participants.

Accordingly, FIMMDA in consultation with Market Participants, has put in place the settlement basis and market conventions for **Bond Forward** transactions.

The conventions are placed at **Annexure**.

The Bond Forward Directions shall come into force with effect from May 2, 2025.

Members / Stakeholders are advised to note the contents as above.

Sd/-

G. Ravindranath
Chief Executive Officer

Annexure

Bond Forward – Settlement basis and Market Conventions

Background

Reserve Bank of India (RBI) has issued Reserve Bank of India (Forward Contracts in Government Securities) Directions, 2025 on February 21, 2025. 5 (v) of the guidelines state “The settlement basis and market conventions for bond forward transactions shall be specified by the Fixed Income Money Market and Derivatives Association of India (FIMMDA), in consultation with market participants. FIMMDA may also prescribe standard documentation procedures for bond forward transactions. Market participants may, alternatively, use a standard master agreement for bond forward transactions.”

This note covers points as required by the guidelines above.

Product Brief –

Bond forward means a rupee interest rate derivative contract in which one counterparty (buyer) agrees to buy a specific government security (defined as from another counterparty (seller) on a specified future date and at a price determined at the time of the contract. These contracts may be physically settled or cash-settled.

Bond Forward Market Conventions:

1. Product Offering:

Bond Forward definition is as per aforementioned guideline, as captured in product brief above.

2. Underlying for hedge requirement:

Users require to have the underlying bond in case they want to go short the bond forward (covered short), no underlying requirement for users to go long the bond forward.

3. Underlying Bond:

Government securities as defined in Government Securities Act 2006 and excludes Treasury Bills.

4. Notional Amount:

As per mutual agreement

5. Maturity Date:

As per mutual agreement

6. Trading Hours:

09:00 to 17:00 (Monday to Friday) on Mumbai working days or the timing specified by RBI for undertaking Government Security transactions / OTC Rupee Derivative Transactions.

7. Settlement Basis:

Physical settlement or cash settlement. Physical settlement through CCIL.

In case of physical settlement, through CCIL, both participants to report the terms of the trade to CCIL as per CCIL timelines.

In case of cash settlement, settlement fixing price below applies.

8. Settlement Fixing Price (Only for cash settlement):

Price of the published Benchmark security price published by FBIL on S – 2 date, S being settlement date.

i. The same may be adjusted for any price movement of the agreed benchmark security between S – 2 and S – 1 as mutually agreed on S – 1 date.

ii. Any price adjustment by mutual agreement as above must keep the FBIL Benchmark published on S – 2 as the base.

It should be ensured that the settlement price is representative of the market and is determined in a fair, transparent and objective manner agreed by the both parties.

9. Holiday Convention:

MFBD – Mumbai Following Business Day.

10. Holiday Calendar:

To follow FIMMDA Conventions.

11. Valuation:

As per Bank's Internal Valuation Methodology as approved by appropriate internal Committee, Subject to adherence to applicable Regulatory Guidelines.

12. Reporting:

All Bond Forwards are to be reported to CCIL TR as per timelines applicable including details of Covered Short on the day of the transaction and thereafter.

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