

FIMNOT/2025-26/03

August 04, 2025

TO ALL MEMBERS AND STAKEHOLDERS

Sub: Handbook of Market Practices –2025 (Revised Version)- (DRAFT)

To promote adoption of healthy & ethical practices towards ensuring high level of integrity and to set standard conventions & practices for smooth and orderly conduct of markets, FIMMDA published a Handbook of Market Practices in September 1999.

Updated versions of FIMMDA Handbook of Market Practices were released over the years, last revision was done in April 2016.

In view of the various changes in regulations / introduction of new products/modification in existing product guidelines, the current Handbook of Market Practices (2016 version) warranted revision.

FIMMDA has undertaken a comprehensive review and revision of the FIMMDA Handbook of Market Practices by way of consultation with Market participants and inputs / suggestions were deliberated at appropriate Committees of FIMMDA. The Handbook of Market Practices-2025 (Revised Draft) is appended for your perusal and inputs/ comments.

The Handbook of Market Practices-2025 (Revised Draft) has also been placed on FIMMDA website www.fimmda.org, inviting suggestions / comments from public and various stakeholders in the market.

Comments /feedback may be sent to fimmda@fimmda.org, duly providing reference of relevant para (in the draft), proposed change and reasons for proposed change.

Last date for submission of comments is: **August 20, 2025**

Members / Stakeholders are requested to take note of the same.

Yours Sincerely,

Sd/-

G. Ravindranath
Chief Executive Officer



HANDBOOK OF MARKET PRACTICES 2025

(A Self Regulatory Organisation recognised by RBI)

TABLE OF CONTENTS	Page No.
Introduction	3
Abbreviation and Terminology	4-5
1. Scope of the Handbook	6-8
2. General Principles	9
3. Management Control	10-14
4. Dealing Procedures and Principles	23-29
5. Market Terminology	30-36
6. Product Guidelines & Derivative Products	37-46
7. Unscheduled Holiday	
8. Appendix	74-78
Annexures	79

Introduction

Fixed Income Money Market and Derivatives Association of India (FIMMDA) was established on 4th May 1998. The main objectives of the formation of FIMMDA are as below:

- to further the interests of and regulate the dealings in fixed income, money, debt, derivatives markets in India.
- to recommend and implement healthy business practices, ethical code of conduct, standard principles and practices to be followed by the members in their dealings in these markets.

RBI has recognised FIMMDA as a Self Regulatory Organisation (SRO), for the financial markets regulated by RBI we.f. May 7, 2025

A clear understanding of market conventions, practices along with high level of integrity amongst the participants (both institutions and dealers) is the cornerstone of any healthy market.

To promote adoption of healthy & ethical practices towards ensuring high level of integrity and to set standard conventions & practices for smooth and orderly conduct of markets, in September 1999, FIMMDA published a Handbook of Market Practices.

Updated versions of FIMMDA Handbook of Market Practices were released over the years last revision was done in April 2016.

The current comprehensive revision of the FIMMDA Handbook of Market Practices covers changes in the regulations and products amongst other things.

Market Participants and other Stakeholders are requested to be guided by the provisions of the FIMMDA Handbook and ensure smooth and orderly function of Markets.

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Abbreviations & Terminology

Abbreviations

BRD	Bill Rediscounting Scheme
BSE	Bombay Stock Exchange
CCIL	The Clearing Corporation of India Limited
CCP	Central Counter Party
CFP	Code of Fair Practices
CD	Certificate of Deposit
CP	Commercial Paper
CSGL	Constituent Subsidiary General Ledger Account
DP	Depository Participant
DRC	Dispute Resolution Committee
DUPN	Derivative Usance Promissory Note
DVP	Delivery Versus Payment
FEDAI	Foreign Exchange Dealers' Association of India
FI	Financial Institution
FRA	Forward Rate Agreement
GMRA	Global Master Repurchase Agreement
IPA	Issuing and Paying Agent
IRD	Interest Rate Derivative
IRO	Interest Rate Option
IRS	Interest Rate Swaps
LAF	Liquidity Adjustment Facility
LOA	Letter of Allotment
MIBOR	Mumbai Interbank Outright Rate
NCD	Non-Convertible Debenture
NDS-OM	Negotiated Dealing System-Order Matching
NI Act	The Negotiable Instruments Act, 1881
NSE	National Stock Exchange
OIS	Overnight Index Swap
PD	Primary Dealer
PDAI	Primary Dealers Association of India
RBI	Reserve Bank of India
SEBI	Securities and Exchange Board of India
SGL	Subsidiary General Ledger
SLV	Security Level Valuation

Terminology

An Entity	The word 'an Entity' (whether incorporated or not) includes : (i) a firm, (ii) a company, (iii) a body corporate, (iv) a corporation, (v) an institution, (vi) an Hindu Undivided Family (HUF), ((vi) a participant, (vii) an Association of Persons (AOP) or a body of individuals, (viii) a local authority and (ix) every artificial juridical person, not falling within any of the preceding sub-clauses.
Broker	An entity which acts as an intermediary (Agent) between principals usually charging a fee or brokerage.
Government Securities	For the purpose of this handbook Government securities would mean Central Government Securities, State Development Loans, Treasury Bills.
Individual	A person and /or dealer employed by the participant / member institution.
Principal	An entity engaging services of a broker for acting on its behalf either as a buyer or a seller.

Chapter 1

Scope of the Handbook

1. Applicability

1.1 Participants:

The Handbook is applicable to all the transactions between market participants who are members of FIMMDA.

Note: In respect of transactions between market participants in the fixed income markets, money market and interest rate derivative markets, it is suggested that the principles, contained in the Handbook may also be applied, in letter and spirit, by participants who are not members of FIMMDA, to ensure smooth and orderly conduct.

While this Handbook covers the transactions between participants in the above markets in India, its provisions may extend beyond the Indian shores, covering transactions, where an entity deals with an overseas counterparty in debt instruments issued in India by a corporate. As far as possible, deals in Indian debt and derivatives markets done with overseas counterparties should conform to the conventions followed in India.

1.2 Products / Markets:

The Handbook is applicable to Fixed Income, Money Market and Rupee Interest rate Derivatives Markets. General principles and procedures provided in the Handbook are applicable to any product that may be dealt with in these markets.

A list of products that are currently traded in the above markets and covered in this Handbook is given below:

- a. Call Money / Notice Money
- b. Term Money
- c. Bill Rediscounting Scheme
- d. Commercial Paper
- e. Certificate of Deposit
- f. Dated Government Securities
- g. Treasury Bills
- h. Ready Forwards

- i. Bond / Debentures
- j. Interest Rate Swaps
- k. Forward Rate Agreements
- l. Interest Rate Futures
- m. Credit Default Swaps
- n. Interest Rate Options
- o. Interest Rate Swaptions
- p. Interest Rate Caps and Floors

Note: In respect of derivative products involving foreign currencies such as Cross Currency Interest Rate Swaps, Currency Options and Currency Futures etc., Members are to follow directions / guidelines issued by RBI / FEDAI as may be applicable.

1.3 Regulations:

Members / **Non-Members** are to be guided by the applicable provisions issued by the Regulator while being guided by provisions of this Handbook. However, in case of any conflict between the provisions of this Handbook and any extant guideline / regulation / directions issued by Competent Authority or Statutory Authority / Regulator or existing provisions of applicable law, Members are to comply with such directions / guidelines / regulations / provisions of law.

In case of transactions done through approved trading and settlement platforms, members are to be guided by the bye-laws / rules of respective platforms, as applicable.

Note: The provisions of Handbook are intended to ensure uniformity and standardization in the market. They do not intend to restrict the freedom of the parties to bilaterally decide terms and conditions different from as suggested herein subject to such terms being not in contravention of any extant guideline / regulation / directions issued by competent authority or statutory authority / Regulator concerned or existing provisions of applicable law.

1.4 FIMMDA Code of Conduct for transacting in Government Securities using RBI'S "NEGOTIATED DEALING SYSTEM – ORDER MATCHING (NDS-OM)":

FIMMDA has published a Code of Conduct for all users of RBI NDS-OM. As per the directives of RBI, FIMMDA Code of Conduct for transacting in Government securities on NDS-OM, is to be adhered to by all users / counterparties to all transactions done on the platform (including OTC transactions reported on the platform) and binding irrespective of counterparty being member of FIMMDA or a non-member.

As per the guidance of RBI a Dispute Resolution Committee (DRC) has been constituted by FIMMDA, governing all transactions in Government Securities done on NDS-OM. Dispute Resolution is an integral part of the FIMMDA Code of Conduct for transacting in Government Securities using RBI's NDS-OM.

Code of Conduct for transacting in Government Securities is annexed to this Handbook. (Annexure1)

1.5 Unified Code of Conduct for Identified Submitters (for Polled benchmarks):

To provide benchmark valuations as may be needed from time to time, FIMMDA identifies benchmarks which require polling as an important input. FIMMDA identifies specific Members / Market Participants for submission of polls as required.

Identified Submitters of polling for various such benchmarks shall follow the Unified Code of Conduct as prescribed by FIMMDA placed at ***Annexure-II***.

1.6 FIMMDA Code of Fair practices for Debt Markets:

FIMMDA Code of Fair Practices (CFP) are a common set of guidelines put in place to promote the integrity, professional culture amongst participants and to ensure effective functioning of the Market.

It is intended to strengthen adherence to best practices in dealing, to promote ethical behaviour, enhance integrity along with improved efficiency and transparency in financial markets thereby minimise the risk of manipulation in the markets. CFP is placed at ***Annexure-III***.

The above documents are also available on FIMMDA website www.fimmda.org.

Chapter 2

General Principles

2.1 Trading and settlement of the deals in Fixed Income, Money Market and Rupee Derivatives will be subject to standard market conventions / settlement procedures laid down by FIMMDA, irrespective of the counter party being a member of FIMMDA or otherwise.

2.2 All entities / persons operating on their behalf in the above markets must comply with the rules and regulations governing respective markets and keep abreast of changes that happen from time to time.

2.3 Banks and Primary Dealers are currently not allowed to invest in securities, which are not in demat form.

2.4 All Institutions must:

- i. Ensure that any person committing on behalf of the institution is acting within approved authority.
- ii. Ensure that persons acting on behalf of the institutions are fully trained and completely aware of the rules and regulations, conventions, practices and the markets in which they deal.
- iii. Stand by the commitment made by a person acting on behalf of the institution, upholding the principle –“My Word Is My Bond”.

2.5 Brokers:

- i. All Principals and Brokers shall maintain the highest standards of conduct so as to enhance the reputation of these markets.
- ii. The role of a broker is to bring together the counterparties for a fee. When brokers act as intermediaries, they are not expected to act as principals or in a discretionary capacity, even momentarily.
- iii. Brokers and principals are expected to maintain confidentiality of the parties involved in the transactions.
- iv. Where the broking entity is acting on its own account, it is expected to declare that it is dealing as a principal before negotiating the trade.

Chapter 3

Management Controls

The Management of Member Institution should put in place appropriate controls and procedures in respect of their dealing in various markets covered by the Handbook.

They should also ensure that the staff members who deal in the market and the other support staff follow the controls and procedures so laid down.

The management should periodically review the controls and procedures.

3.1 Organisation:

3.1.1 The fundamental principle of maintenance of internal controls is the segregation of the Front Office and Back Office & Settlement Functions.

Keeping in view the increasing volume and complexity of the transactions, it may be a good practice to segregate the functions of the dealing department as under:

Function	Responsible for
Front office	Dealing
Mid-Office	Risk management, Accounting and Management Information
Back- Office	Confirmations, Settlement and Reconciliation

3.1.2 Since there may be an overlap of the Mid-office and Back-office functions, the managements of participant institutions may lay down suitable level of segregation as may be appropriate.

Back-office and Mid-Office have been used interchangeably in this Handbook.

3.1.3 Personnel in Back-office and Mid-Office should be functionally segregated from those in the Front Office. *Persons who conclude trades must not be involved in the confirmation or settlement of trades.*

3.2 Know your counterparty:

It is a good practice to conduct basic due diligence and “Know Your Counterparty” checks before dealing. These checks should show a basic understanding of who the counterparty is and why the counterparty is dealing in the product.

For derivatives transactions, Member Institutions should, in spirit of “Duty of Care”, be satisfied that the counterparty is aware of the risks involved in using those products and the person dealing is duly authorized by the respective institution for executing those transactions.

3.3 Recording of conversations:

3.3.1 Experience has shown that recourse to tapes / recordings proves invaluable to the speedy resolution of differences and disputes.

Members who do not currently record all their front office conversations should review this matter and introduce the recording process as soon as possible.

Members should inform / advise all clients / counterparties (including new clients / counterparties) that the conversations would be recorded.

Communication devices such as mobile phones, not connected to the voice recorder should not be allowed to be used for trading purposes. Members should have mobile phone usage policies in line with RBI guidelines.

3.3.2 Tapes / Recordings should be kept for at least three months or as per their internal policy whichever is longer. Tapes /Recordings relating to disputed / unconfirmed transactions should be retained until the disputes have been settled / confirmed.

3.3.3 Management should ensure that access to the recording equipment / whether in use or in store and the recordings, is strictly controlled so that they cannot be tampered with.

3.4 Off-Premises Dealing:

3.4.1 As a practice, authorised personnel should deal only from their designated place of dealing i.e., from their respective dealing rooms / office as the case may be.

3.4.2 However, there may be occasions when the dealer may have to deal from other than the designated place of dealing. Management may lay down suitable policy / guidelines, including the personnel who are authorized to deal from other than designated place of dealing.

Such off-premises deals are to be reported by the Back Office to the Management. Management should satisfy themselves of the need for such dealing.

3.4.3 The dealer / official should, prior to dealing, inform the counterparty about dealing off-premises. The fact that the deal has been done off the premises should also be recorded in the deal confirmation and /or other relevant records.

3.5 Trading Hours:

3.5.1 Trading hours for Fixed Income Securities are as follows: (*w.e.f. December 12, 2022 onwards for T+1)

Table for settlement on T+1 /T+0 where T is the Trade Day

MARKET	Trade TIMINGS for (T+1) settlement	Trade TIMINGS (T+0) settlement
Government Securities *	9.00 AM to 5.00 PM	
CP / CD *	9.00 AM to 5.00 PM	9.00 AM to 3.15 PM
Market Repo in government securities @	9.00 AM to 4.00 PM	9.00 AM to 4.00 PM
Triparty Repo in government securities @	9:00 AM to 4:00 PM	9:00 AM to 4:00 PM
Corporate Bond	9.00 AM to 5.15 PM	9.00 AM to 2.30 PM
Corporate Bonds Repo *	9.00 AM to 5.00 PM	9.00 AM to 2.30 PM
Call / Notice / Term Money #	9.00 AM to 7.00 P.M	9.00 AM to 7.00 P.M
Rupee Interest Rate * Derivative (other than those on Exchanges)	9.00 AM to 5.00 PM	
Standing Deposit Facility / Marginal Standing Facility #	7.00 PM to 11.59 PM	

@ w.e.f August 01. 2025

w.e.f July 01. 2025

Trading Hours will be subject to change as per Directions of the Regulators.

3.5.2 All OTC deals to be reported on the designated platforms within the stipulated time from execution of the deal as stipulated by the Regulator.

3.5.3 OTC deals done outside these hours should be with prior approval of appropriate regulatory authority and the management should satisfy themselves about the necessity of concluding such deals outside the prescribed hours.

3.6 Rate Scan:

3.6.1 Market Players shall not deal at off-market / not market related rates. Management should set up the “Rate-Bands” within which the actual traded rates should fall. Management should ensure that proper procedures to ensure proper monitoring, including the periodicity of taking Rate Scans.

3.6.2 A proper procedure to monitor the deals, which are outside the Rate-Bands should be laid down. The Back Office should report these exceptions to the management and management must satisfy itself that the exceptions are for legitimate and comprehensible reasons.

3.6.3 Usually this may be because of extraordinary volatility, or because the amount of the deal is small and transactional costs have been loaded into the price.

3.7 Conflicts of Interest:

3.7.1 It is possible that dealers may wish to make personal investments in the products, which the institution is dealing in or in the products covered by this Handbook. Management should formulate a “Personal Investment Policy” and ensure strict adherence to the same.

3.7.2 While framing the Personal Investment Policy the management may take into consideration the rules and regulations laid down by any regulatory / statutory authority in respect of insider trading.

3.8 Rotation of dealers:

Dealers should not be kept for extended periods on the same desk. Banks shall have a Mandatory Leave and Surprise Leave policy, as well as a Dealer Rotation policy, in line with RBI guidelines. As stipulated in internal control guidelines, an annual compulsory

leave of two calendar weeks in a single spell every year for the dealers as minimum mandatory leave be followed.

Surprise Away from Desk requirement is left to the choice of the respective Participant /Member Institutions.

However, Institutions to comply with the guidance of their respective Regulators on the above matter.

3.9 Deal Tickets & Confirmations: Participants should put in place a process, which ensures the following:

3.9.1 Deal slips shall be prepared for every transaction entered into. Deal slips shall be serially numbered, properly accounted for and shall contain all the details of the deal such as name of the counterparty, details of security, category in which it shall be held, amount, price, contract date and time, confirmation mode to the counterparty, whether it is a direct deal or through a broker, and if through a broker, name of the broker, etc.

3.9.2 Deals recorded by the trader are to be confirmed independently by the Back Office. Back -office shall monitor timely receipt of confirmation from the counterparty. All confirmations should include the date of the deal, the name of the counterparty and other significant details of the deal including mode of confirmation.

3.9.3 All transactions should be backed by exchange of Deal Confirmation as per the deal ticket, except for specific exemptions allowed as per *Clause 4.9.1*

3.9.4 It is a good practice to also confirm all settlement details, even when some of these details do not change with each and every deal.

3.9.5 The Back Office must respond promptly to confirmations received for which they do not have a corresponding trade. It is proper to first check with the Front Office to ensure that no deal has been omitted. They should then promptly advise the Back Office of the counterparty of the absence of the trade.

3.9.6 A discrepancy between a confirmation and significant details of the trade, and even the existence of a trade, should be brought to the attention of the management. Unresolved discrepancies beyond T+2 should be escalated / placed to the Management Committee. Management should satisfy themselves of the genuineness and accuracy of the trade. It is important that discrepancies should be promptly sorted out.

Chapter 4

Dealing Principles and Procedures

4.1 Scope:

Deals done in the Indian markets should be conducted on the basis of this Handbook.

In respect of deals done with overseas counterparties, the counterparty should be made aware of the conventions, followed in India, in advance, to avoid any possible confusion.

4.2 Preliminary Negotiation of Terms:

Dealers should clearly state any qualifying conditions to which the deal will be subject to, prior to a transaction being executed. Where a firm quote has been indicated on the Dealing system qualifying conditions cannot be specified after the conclusion of the deal.

Typical examples of qualifications include where a price is quoted subject to the necessary credit approval, limits available for the counterparty, inability to conclude a transaction because offices of the member in other centres are not open. This should be made known to the broker and the potential counterparty at an early stage and before names are exchanged by the broker.

4.3 Firmness of Quotation:

Dealers, whether acting as principal, agent or broker, have a duty to make it absolutely clear whether the prices they are quoting are firm prices or merely indicative.

Prices quoted by brokers should be taken as indicative prices unless otherwise qualified.

4.3.1 NDS-CALL: In respect of deals on the NDS-CALL platform, the dealer would input the quote as a “firm” or “indicative” quote. In case the dealer is willing to do the deal only with a certain set of counterparties, he should put the quote as “firm” only for preferred counterparties.

4.3.2 In respect of other deals:

- a) A dealer quoting a firm price or rate to a counterparty directly, if committed, will have to deal at that price or rate in a marketable manner

- b) A dealer quoting a firm price or rate to a potential counterparty through a broker, if committed, will have to deal at that price or rate in a marketable amount provided the counterparty name is acceptable
- c) Generally, prices are assumed to be firm as long as the counterparty or broker is on line.

Members should clearly and immediately indicate when the prices are withdrawn.

4.3.3 In volatile markets or when some news is expected, dealers quoting a firm price or rate should indicate the length of time for which their quote is firm. The price or the rate is usually for the marketable amount. If the quote is not for a marketable quantity, the dealer / broker should qualify the same while submitting the quote.

4.3.4 A significant part of the volume transacted by brokers relies on mandates given by dealers acting on behalf of principals. The risk that the principal runs is that such an offer could get hit after an adverse market move has taken place.

4.3.5 The broker is expected to use the mandate in order to “advertise” the principal’s interest to the entities that the broker expects will have an interest in the price. Generally, the broker is free to show the price to entities he deems fit, but members have the right to expect that if a smaller set is defined, the broker will adhere to such a smaller set.

4.3.6 Mandates shall not be for a period of more than 15 minutes unless otherwise specified. Brokers are expected to check with the principal from time to time to ensure that the mandate is still current.

4.3.7 The principal should call the broker if he wishes to withdraw the mandate before its expiry. The quote cannot be withdrawn after the broker has concluded the deal.

4.4 Delivery of the securities / funds: review

The dealers should agree upon the delivery conditions before concluding the deal.

- a) For all products in respect of Government Securities, CP, CD and Corporate Bonds, delivery of the securities / funds is on a Delivery Versus Payment (DVP) basis.
- b) NCDs up to one year can be settled bilaterally.

4.5 Concluding a Deal:

Dealers should regard themselves as bound to honour a deal once the price, name acceptability, credit approval and any other key commercial terms have been agreed. Oral agreements / contracts are considered binding on all the parties concerned.

4.5.1 Where quoted prices are qualified as being indicative or subject to negotiation of commercial terms, members should normally treat themselves as bound to honour the deal at the point when the terms have been agreed without qualification.

4.5.2 Oral agreements are considered binding; the subsequent confirmation is evidence of the deal but should not override terms agreed orally.

4.5.3 Making a transaction subject to documentation is not a good practice. In order to minimise the likelihood of disputes arising once documentation is prepared, dealers should make every effort to clarify all material points quickly during the oral negotiation of terms, and should include these in the confirmation.

4.5.4 Where brokers are involved, members have the right to expect that the broker will make them aware immediately on conclusion of the deal. As a general rule a deal should be regarded as having been “done” where the dealer positively acknowledges the broker’s confirmation. It is expected that a broker shall not assume that a deal is done without oral confirmation from the dealer.

4.6 Revealing of counterparties by brokers:

It is a good practice for dealers not to seek the names of the counterparty before transacting and for brokers not to divulge the names before concluding the deal. Dealers and brokers should at all times treat the details of transactions as absolutely confidential between the parties involved.

4.6.1 To save time and avoid confusion, dealers should, wherever practical, give brokers prior indication of counterparties with whom, for whatsoever reason, they would be unwilling to do business. In all their transactions, brokers should aim to achieve a mutual and immediate exchange of names.

4.6.2 In the repo markets, it is accepted that members may vary the price (Repo Rate) depending on the counterparty. Hence, it is acceptable for the member to know the name of the counterparty in advance.

4.6.3 In the case of instruments like Certificate of Deposits and Commercial Papers, where the seller may not be the same entity as the issuer, the broker shall first disclose the issuer's name to the potential buyer. The name of the buyer shall be disclosed only after the buyer has accepted the seller's name. The seller has the right to refuse to transact with the buyer.

4.7 Reporting of deals on the NDS-OM:

4.7.1 All deals in Government securities will be settled on T+1 basis.

However, if FPI is one of the counterparties, the deals can be settled on T+2 basis. These will include deals between a domestic entity and an FPI, deals between two FPIs of different custodians, deals between a custodian and its FPI Gilt Account Holder, and deals between two FPI Gilt account Holders of the same custodian.

4.7.2 The deals concluded outside the NDS-OM, should be reported on the NDS-OM Reporting Segment within the time frame stipulated by the regulator concerned (presently 15 minutes) from the time of the conclusion of the deal.

Reporting trades for FPIs are permitted extended reporting time up to 3 hours (i.e upto 8 p.m presently) after close of Normal session. Domestic counterparties to the FPI trade are however required to report during normal session hours (presently up to 5.00 p.m). Similarly, custodians reporting a trade between the custodian and its FPI client or between two of its FPI clients, has to report the same during normal session hours (i.e. presently up to 5.00 pm).

4.7.3 Deals in Government Securities and T-Bills may be concluded either on the NDS-OM or otherwise. However, all the deals in Government Securities and T-Bills concluded outside the NDS-OM system have to be reported on the NDS-OM Reporting Segment by the seller as well as buyer independently.

4.7.4 The settlement of outright trades and repo trades shall be through CCIL as per its Bye-Laws, Rules and Regulations.

4.8 Oral Confirmations:

In respect of deals done on voice / OTC platform an oral confirmation of the deals by the back office is a good practice. Lack of response should not be construed as confirmation.

4.9 Confirmations:

4.9.1 Exchange of deal confirmation is not needed for the following deals:

- a) Deals done in G-Secs on NDS-OM platform
- b) Deals done in G-Secs on voice / OTC platform and reported on NDS-Reported deals segment.
- c) Deals done in Call Money / Notice Money / Term Money on NDS Call Money platform.
- d) Deals done in G-Sec Repo on CROMS / TREPS platforms, Deals done in IRS / OIS on CCIL's IRS / OIS trading platform (ASTROID).

However, in the case of an OTC Overnight Index Swap (OIS) the trades are reported to CCIL. If the counterparties have a bilateral agreement waiving the requirement to exchange of confirmations, then exchanging of physical confirmations may not be required for such IRS deals.

- e) Deals done in CP / CD / Repo in Corporate Bond on voice / OTC platform and reported on F-Trac, provided the counterparties have executed a bilateral / multilateral agreement as permitted by their respective regulators.
- f) Subject to a bilateral / multilateral agreement between the banks/primary dealers, for the trades appearing in the "Matched Deals Report", a separate confirmation need not be exchanged between the parties to Rupee Interest Rate Swap Trades. This is true for trades in all benchmarks i.e. MIBOR, MMIFOR, MIBOR-OIS, etc.

4.9.2 In respect of all other deals, confirmation of each deal must be sent out at the earliest and a confirmation should be received from the counterparty.

4.9.3 The confirmation provides a necessary final safeguard against dealing errors.

4.9.4 A confirmation of each deal must be sent out at the earliest. This is particularly essential if dealing is for same day settlement. It is in the interest of all concerned that all deals are confirmed as quickly as possible even if the products involved are more complex and require additional details to be included. In any case, deal confirmations shall be sent out, no later than the next working day of the date of the deal.

It is recommended that counterparties should inquire about confirmations not received within the expected time.

4.9.5 All confirmations should include the trade date, value date, the name of the counterparty and all significant details of the deal, including, wherever appropriate, the commission charged by the broker.

4.9.6 All confirmations should state “The settlement of the deals in Fixed Income, Money Market and Rupee Derivatives are subject to FIMMDA’s market conventions irrespective of the counterparty being a member of FIMMDA”.

4.9.7 It is an accepted practice for principals to confirm directly all the details of transactions arranged through a broker; who independently sends a contract / transaction confirmation to both counterparties.

4.9.8 It is vital that principals upon receipt of confirmations immediately check the confirmations carefully so that discrepancies are quickly revealed and corrected.

4.9.9 As a general rule, confirmations should not be issued by or sent to and checked by dealers. Confirmation is a Back Office function.

4.10 Settlement of Differences:

4.10.1 If all the procedures outlined above are adhered to, the incidence and size of differences would be reduced. Errors may occur, and they should be identified and corrected promptly. Failure to observe these principles could leave those responsible bearing the cost of any differences, which arise.

4.10.2 Undue Enrichment:

- Where differences in payment of funds arise due to errors, counterparties should not attempt to benefit by retaining the funds.
- In such cases of retention of funds suitable terms of compensation should be negotiated between the counterparties.
- The same principle is applicable in case of delivery of securities.

4.11 Bank Holidays / Market Disruption:

4.11.1 Holidays are declared by the State Governments on calendar year basis. The list of Mumbai Bank Holidays for the year will be displayed by FIMMDA on its website.

If the maturity of a Security falls on a Sunday or a Mumbai bank holiday, the market participants will follow the guidelines adopted for Government Securities i.e., the

redemption proceeds (Redemption value and the coupon) will be paid on the previous Mumbai working day without any reduction in the amount.

If the coupon payment date of a security falls on a Sunday or a Mumbai bank holiday, the coupon payment shall be made on the next working day without any increase in the amount.

4.11.2 If due to unforeseen events, a particular date for which transactions have been entered into, is subsequently declared as a holiday, then while settling such claims, the principle of no undue enrichment should be followed.

The procedure to be followed in case of declaration of an unscheduled holiday is given in **Chapter 7**.

4.11.3 Bank Annual Account Closing Day as announced – will be treated as a normal holiday.

Chapter 5

Market Terminology

The commonly used expressions, in the money and debt markets in India and their generally accepted meanings, are as under:

Expressions	Generally accepted meaning
I Bid / Buy	The Price at which I am willing to buy
I Offer / Sell	The Price at which I am willing to sell
Quotes / Prices	<p>Typically, the Dealers quote only the decimal places omitting the integer part. It is assumed the players know the integer part in the prevailing market price.</p> <p>Example: 1 If on a given day the security 7.59% GS 2026 is being quoted at a price of around Rs.99.70 then the bid at 65 / offer at 75 would mean that the dealer is willing to buy the security at Rs.99.65 and sell it at Rs.99.75.</p> <p>Example: 2 If on a given day the Treasury Bill maturing on 21st July 2016, is being quoted at a yield of around 7.20 then the bid at 30 / offer at 20 would mean that the dealer is willing to buy the security at 7.30 and sell it at 7.20.</p> <p>However, the complete price should be used while confirming deals.</p>
Clean price	The price of a bond, excluding the accrued interest since the last interest payment date

Dirty price	The price of a bond, including the accrued interest since the last interest payment date. This is also known as the gross price.
Haircut	The difference between the actual market value and the value ascribed to the collateral used in a repo transaction.
Mine	I Buy at the Price you have offered
Yours	I Sell at the Price you have bid
Close / Done	I conclude the deal at the mutually agreed Price.
Two –Way quote	Quote which includes both Buy and Sell price. Example: 65/75 indicates that the dealer is willing to buy at Rs.99.65 and sell at Rs.99.75.
Choice – Quote	Choice Quote is a single price quoted by a dealer and it means that he/she is willing to Buy as well as Sell at that price. Example: A Quote of 5 Choice“ for a security means that the dealer will buy as well as sell at 5 paise.
Final Price	No more negotiations. It is the price at which the dealer is willing to close the deal.
Level / Indicative Price	Prices quoted by dealers to indicate the level at which they are interested in doing the deal but are willing to negotiate.
Big Figure	The integer part of the price. Example: If the ruling price of a security is 99.70, then the Big Figure here is 99.

Figure	<p>Price when quoted in integers without the decimal part is known as Figure.</p> <p>Example: When the dealer is willing to deal 7.59% GS 2026 at 101.00 (when the ruling quote is 100.95/101.05), he will state that he is willing to do the deal at Figure.</p>
Check	<p>“Check” during chat means that the dealer is withdrawing his/her quote with immediate effect.</p>
Check Before Closing (CBC)	<p>“CBC” means that the dealer has the freedom to modify the price and/or amount during the chat.</p> <p>Hence, the counter-party dealer/broker should seek confirmation before concluding the deal.</p>
Pass / No interest / Squared	<p>I am not interested in the deal at the moment.</p>
Referring to securities during chat	<p>Dated Government Securities are generally identified by their coupon and year of maturity.</p> <p>In case of securities having identical coupons in the same year of maturity, the actual nomenclature should be used to differentiate them.</p> <p>Example: 7.16 23, 7.72 25, 7.59 26 8.07% GS 2017, 8.07% GS 2017JULY</p> <p>Treasury Bills, Commercial Papers and Certificate of Deposits should be referred to using their date of maturity and the actual nomenclature should be used for confirmation.</p> <p>Example: TB 21/07/16, 364D TB Maturing on 21/07/16</p>

	ACC Maturing on 20/08/25, Confirmation calls for full particulars. SBI Maturing on 09/02/24, Confirmation calls for full particulars.
Same day value/ Value today	Settlement to be effected at “t + 0”, where t is the trade date.
TOM / Value TOM / Value “t + n”	TOM and Value TOM mean that the settlement will be done on the next settlement date. Value “t + n” means that settlement will be done on nth settlement day after the trade date. (Excluding holiday(s) observed by RBI, Mumbai).
Quantum / Amount	It will be assumed that the quote is for the standard market lot of Rs. 5 crores, unless otherwise explicitly stated.
I to borrow clean	The dealer intends to borrow cash clean (without collateral).
I to borrow under Repo	The dealer intends to borrow cash against the collateral of securities.
I to lend clean	The dealer intends to lend cash clean (without collateral).
I to lend under Repo	The dealer intends to lend cash against the collateral of securities.

Given below could be a typical conversation between dealers during negotiation:

Bank A calls Bank B

Bank	Terminology used	Meaning
Bank A	7.72/25 for 25 Crore	Bank A is asking Bank B for a 2-way quote on

		7.72% maturing 2025 for a total amount of Rs. 25 Crore (<i>face value</i>)
Bank B	65/75 for 15 Crore	Bank B has given a price to buy at Rs. 99.65 and to sell at Rs.99.75 and the quote is valid for Rs.15 Crore only
Bank A	Any improvement, me to buy	Bank A tells Bank B that he is looking to buy but at a lower price
Bank B	73 for you	Bank B is willing to reduce the price for the buyer to Rs.99.73.
Bank A	Done / Close	Bank A concludes the deal
Bank B	Confirmed, Bank B sells 7.72% GS 2025 Rs.15 Crore value today at Rs.99.73 to Bank A	Bank B confirms the deal specifying security, amount, price, settlement date and counterparty

Swap Market Terminology

Some of the expressions used in the interest rate swaps market are given below (apart from the typical expressions given above).

Expressions	Generally Accepted / Standard Meaning / Understanding
OIS (Overnight Indexed Swap)	Overnight Indexed Swaps benchmarked typically against FBIL Overnight MIBOR (MIBOR) rates.

Two-way Quote	<p>A two-way quote in the OIS parlance would mean that the dealer is ready to Pay and Receive Fixed Rate. The quote should also specify the tenor. If not otherwise specified the MIBOR should be taken as the bench mark.</p> <p>Example: A quote of “6.90 / 6.95 for 5 years” indicates the dealer’s willingness to Pay a Fixed Rate of 6.90% and to Receive a Fixed Rate of 6.95% per annum for a period of 5 years.</p>
I receive	I Receive the Fixed Rate quoted against paying the Floating Benchmark.
I pay	I Pay the Fixed Rate quoted against Receiving the Floating Benchmark.
FBIL OVERNIGHT MIBOR	<p>Pay simple Fixed Rate against receipt of overnight Floating Rate for tenors up to (and including) 1 year.</p> <p>Pay simple semi-annual Fixed Rate against receipt of overnight Floating Rate for tenors of longer than 1 year.</p>
INR-MITOR (Please refer Chapter 8)	<p>Pay simple Fixed Rate against receipt of overnight Floating Rate for tenors up to (and including) 1 year.</p> <p>Pay simple semi-annual Fixed Rate against receipt of overnight Floating Rate for tenors of longer than 1 year.</p>
FBIL Modified MIFOR	<p>Pay annual Fixed Rate against receipt of 3-month Floating Rate for tenors up to (and including) one year.</p> <p>Pay semi-annual Fixed Rate against receipt of 6-month Floating Rate for tenors of longer than one year.</p>

MIBOR OIS	<p>Pay annual Fixed Rate against receipt of 3-month Floating Rate for tenors up to (and including) one year.</p> <p>Pay semi-annual Fixed Rate against receipt of 6-month Floating Rate for tenors of longer than one year.</p>
INR-INBMK	Annual Fixed Rate against receipt of annualized Floating Rate for all tenors.
INR-CMT	Pay annual Fixed Rate against receipt of annualized Floating Rate for all tenors.

Chapter 6

Product Guidelines

6.1 Call Money and Notice Money

Call Money-means borrowing or lending in unsecured funds on overnight basis.

“Notice Money” means borrowing or lending in unsecured funds for tenors up to and inclusive of 14 days excluding overnight borrowing / lending.

6.1.1 Features

- a) Interest is calculated on Actual / 365-day basis.
- b) Interest payable to be rounded off to the nearest rupee.
- c) Interest on the amount borrowed / lent =
$$\frac{\text{Amount borrowed / lent} * \text{No. of days} * \text{Rate of Interest}}{365 * 100}$$

6.1.2 Settlement

On the value date of the deal, the funds will be paid by the lender to the borrower through an approved mode of transfer and on the due date, the borrower will repay the amount borrowed along with interest to the lender through an approved mode of transfer.

The practice of borrower handing over the deposit receipt to the lender on the value date and the lender giving back the duly discharged deposit receipt to the borrower on the due date invariably will continue.

6.1.3 Penalty for delay in repayment

If the borrower defaults in repayment of the amount borrowed along with interest on due date, then the interest for the delayed period will be at the rate of daily overnight FBIL-MIBOR + 5 percentage points.

6.2 Term Money

Term Money means borrowing or lending in unsecured funds for periods exceeding 14 days and up to one year.

6.2.1 Features

- a) Interest to be calculated on Actual / 365-day basis.
- b) Interest payable to be rounded off to the nearest rupee.
- c) Periodicity of interest payment can be Quarterly / Half Yearly / on redemption, as agreed to at the time of the deal.

Interest on the amount borrowed / lent =

$$\frac{\text{Amount borrowed / lent} * \text{No. of days} * \text{Rate of Interest}}{365 * 100}$$

- d) No loan / overdraft can be granted against Term Money.

6.2.2 Settlement

On the value date of the deal, the funds will be paid by the lender to the borrower through an approved mode of transfer and on the due date, the borrower will repay the amount borrowed along with interest to the lender through an approved mode of transfer.

In case the maturity of term money falls on a Sunday or Mumbai bank holiday, the repayment will be made on the next working day. Additional interest will be paid for such period on the amount borrowed (principal only) at the contracted rate.

6.2.3 Penalty for delay in repayment

If the borrower defaults in repayment of the amount borrowed along with interest on due date, then the interest for the delayed period will be at the rate of daily MIBOR + 5 percentage points.

6.2.4 For Cancellation and termination of Call / Notice / Term Money transaction – Refer [RBI Master Direction RBI/2021-22/78/ FMRD.DIRD.01/14.01.001/2021-22 dated April 01, 2021, updated as on June 25 2021](#), as amended from time to time)

6.3 **Bill Rediscounting Scheme (BRD)**

BRD is the rediscounting of trade bills which have already been purchased by/ discounted with the bank by the customers.

These trade bills arise out of supply of goods / services.

6.3.1 Features

- a) Banks normally rediscount the bills that have already been discounted with them or raise usance promissory notes in convenient lots and maturities and rediscount them.
- b) Rediscount of bills and Derivative and Usance Promissory Note (DUPN) should be for a minimum period of 15 days and for a maximum period of 90 days.
- c) Discount
- d) t is calculated on Actual / 365-day basis.
- e) On maturity the borrower would repay the principal amount.
- f) The discount is rounded off to the nearest rupee: In case a holiday is declared under the Negotiable Instruments Act, 1881, subsequent to the rediscounting of the bill / issuance of DUPN, and the payment is to be made on the preceding working day (as per the Negotiable Instruments Act), such payment on the preceding working day would not be regarded as a violation of RBI's guidelines.
- g) The amount payable to the borrower is the principal amount less the discount / interest.

6.3.2 Example:

Transaction Amount	Rs. 10,00,00,000/- (Rupees Ten Crore) (Principal Amount)
No. of Days	45 Days
Rate of Discount	10.25% p.a. front ended
Discount	$\frac{\text{Transaction Amount} * \text{No. of days} * \text{Rate of Interest}}{365 * 100}$ i.e. $10,00,00,000 * 45 * 10.25$

	365*100 i.e. Rs. 12,63,699 (rounded off)
Amount payable	Transaction Amount – Discount / Interest i.e. 10,00,00,000 - 12,63,699 i.e. Rs. 9,87,36,301/-
Amount to be Repaid on maturity	Rs. 10,00,00,000/-

6.4 Commercial Paper (CP)

Commercial Paper (CP) means an unsecured money market instrument issued in the form of a promissory note.

6.4.1 Features

- Discount to be calculated on a rear-ended basis.
- Price to be calculated up to a maximum of four decimal places.

❖ Case 1: In case yield is given then:

$$\text{Price} = \frac{100}{1 + \left(\frac{\text{Yield} * \text{No. of days to maturity}}{365 * 100} \right)}$$

❖ Case 2: In case price is given then:

$$\text{Yield} = \frac{(100 - \text{Price}) * 365 * 100}{(\text{Price} * \text{No. of Days to maturity})}$$

FIMMDA has issued separate, detailed, operational guidelines on CPs, placed at Annexure-V.

6.5 Certificate of Deposit (CD)

Certificate of Deposit (CD) is a negotiable, unsecured money market instrument issued by a bank as a Usance Promissory Note against funds deposited at the bank for a maturity period upto one year;

6.5.1 FIMMDA has issued separate, detailed, operational guidelines on CDs, placed at Annexure-**IV**.

6.5.2 Features

- a) Discount to be calculated on a rear-ended basis.
- b) Price to be calculated up to a maximum of four decimal places and rounded off to the 4th decimal place

o Case 1: In case yield is given then:

$$\text{Price} = \frac{100}{1 + \frac{(\text{Yield} * \text{No. of days to maturity})}{365 * 100}}$$

o Case 2: In case price is given then:

$$\text{Yield} = \frac{(100 - \text{Price}) * 365 * 100}{(\text{Price} * \text{No. of Days to maturity})}$$

6.6 Dated Government Securities

Government Securities are coupon-bearing debt instruments issued by the Government of India / State Government. Government Securities may have a fixed or a floating coupon.

6.6.1 Standard Conventions

- a) Interest to be calculated on a European 30/360-day basis.
- b) 31st day of the month, wherever exists, will be treated as 30th i.e for a deal done on 30th or 31st day of the month, the broken period will be 29 days for month.
- c) 28th February (on non-leap years) or 29th February (on leap years) will be treated as any other day of the month i.e. for a deal done on 28th February (on non-leap years) and 29th February (on leap years) the period will be considered as-30 days.

Sr. No.	Last Coupon Payment Date	Date of Settlement for sale/purchase transaction	Broken Period	
a)	28 th July	14 th August	July	3 days
			Aug	13 days
			Total	16 Days
b)	18 th September	31 st October	Sep	13 days
			Oct	29 days
			Total	14 Days
c)	23 rd February	5 th March	Feb	8 Days
			Mar	4 Days
			Total	12 Days
d)	6 th January	28 th February (Non-Leap Year)	Jan	25 Days
			Feb	27 Days
			Total	52 Days
e)	28 th February	17 th March	Feb	3 days
			Mar	16 Days
			Total	19 Days
f)	28 th February	28 th February	Total	0 Days
		29 th February	Total	1 Day
		1 st March	Total	3 Days
g)	22 nd December	29 th February (Leap Year)	Dec	9 Days
			Jan	30 Days
			Feb	28 Days
			Total	67 Days
h)	29 th February (Leap Year)	19 th April	Feb	2 Days
			Mar	30 Days
			Apr	18 Days
			Total	50 Days

i)	31 st August	22 nd October	Aug	1 Day
			Sept	30 Days
			Oct	21 Days
			Total	52 Days
j)	31 st August	31 st August	Total	0 Days
k)	30 th August	22 nd October	Aug	1 Day
			Sep	30 Days
			Oct	21 Days
			Total	52 Days

Note:

- Prices in the secondary market to be quoted up to a maximum of four decimal places with a tick size of 0.0025.
e.g. Rs. 100.4350 or Rs. 101.2125 but not Rs. 102.3745 or Rs. 103.5018
- Firm quotes should be for a minimum amount of Rs.5 crore and in multiples thereof. The minimum deal size should be consistent with the lot size. The lot size should be in the multiples of Rs 10,000.

6.6.2 Settlement

The settlement of deals happens through the SGL / CSGL accounts of the counterparties with RBI. The deals, done on NDS-OM and OTC deals reported on the NDS-Reported Deal Segment are settled by CCIL.

The settlement of outright trades and repo trades and the CCIL's guarantee of the settlement through novation shall be as per its CCIL's Bye-Laws, Rules and Regulations.

6.7 Treasury-Bills

Treasury Bills are short-term (maturities less than one year), discounted, government securities.

6.7.1 Features

- a) They are issued for different maturities viz. 91 days, 182 days and 364 days or such periods as may be introduced by RBI from time to time.
- b) It is a discounted instrument.
- c) Discount is calculated on Actual / 365-day basis.
- d) Discount to be calculated on a rear-ended basis.
- e) Price to be calculated up to a maximum of four decimal places and rounded off to the 4th decimal place.

o Case 1: In case yield is given then:

$$\text{Price} = \frac{100}{1 + \frac{\text{Yield} * \text{No. of days to maturity}}{365 * 100}}$$

❖ Case 2: In case price is given then:

$$\text{Yield} = \frac{(100 - \text{Price}) * 365 * 100}{(\text{Price} * \text{No. of Days to maturity})}$$

6.7.2 Settlement

The settlement of deals happens through the SGL / CSDL accounts of the counterparties with RBI. The deals, done on NDS-OM and OTC deals reported on the NDS-Reported Deal Segment are settled by CCIL.

The settlement of outright trades and repo trades and the CCIL's guarantee of the settlement through novation shall be as per its CCIL's Bye-Laws, Rules and Regulations.

6.7.3 Cash Management Bills (CMBs) - CMBs have the generic character of T-Bills but are issued for maturities less than 91 days.

6.8 REPO in corporate bonds:

Repo is a mechanism, which enables collateralized short-term borrowing and lending through sale / purchase operations in debt instruments. Under a repo transaction, a holder

of securities sells them to an investor with an agreement to repurchase at a predetermined date and rate. In case of a repo, the first leg transfer should be at market price.

A Reverse Repo is the mirror image of a Repo. In a Reverse Repo, securities are bought with a simultaneous commitment to resell. Hence whether a transaction is a repo or a reverse repo is determined only in terms of who initiated the first leg of the transaction.

Triparty Repo – In terms of the Repurchase Transactions (Repo) (Reserve Bank) Directions 2018 dated July 24, 2018 “Tri-party Repo” means a repo contract where a third entity (apart from the borrower and lender), called a Tri-Party Agent, acts as an intermediary between the two parties to the repo to facilitate services like collateral selection, payment and settlement, custody and management during the life of the transaction.

TREPS facilitates, borrowing and lending of funds, in Triparty Repo arrangement. CCIL would be the Central Counterparty to all trades from Tri Party Repo Dealing System (TREPS) and would also perform the role and responsibilities of Triparty Repo Agent, in terms of Repurchase Transactions (Repo) (Reserve Bank) Directions, 2018 as amended from time to time.

6.8.1 The forward clean price of the bonds is set in advance at a level, which is different from the spot clean price by adjusting the difference between repo interest and coupon earned on the security.

For arriving at the market value of the corporate debt security, the participants undertaking repo in Corporate Bonds may refer to Security Level Valuation (SLV) / credit spreads published by the FIMMDA.

The market participants may also apply appropriate haircuts, margins as laid down by the RBI from time to time.

6.8.2 Participants are to ensure compliance with applicable guidelines issued by RBI vide “Repurchase Transactions (Repo) (Reserve Bank) Directions 2018” dated July 24, 2018, or as amended from time to time.

Currently, Repo in corporate debt securities is allowed in:

1. Listed corporate bonds and debentures, subject to the condition that no participant shall borrow against the collateral of its own securities, or securities issued by a related entity.

2. Commercial Papers (CPs) and Certificate of Deposits (CDs).
3. Units of Debt ETFs
4. Any other security of a local authority as may be specified in this behalf by the Central Government.

6.8.3 a. The legal ownership of the security passes on from the seller of the securities to the buyer of the securities. However, the economic essence of the transaction shall be borrowing / Lending. The borrower under repo will continue to treat the securities transferred as his own as far as accrual of coupon, valuation, etc. Interest received on the security by the lender during the repo period should be passed on to the borrower. Participants shall follow the detailed accounting guidelines prescribed by RBI for market repo transactions.

b. The participants should enter into the FIMMDA's Global Master Repurchase Agreement (GMRA) before entering into a repo transaction.

6.9 Bonds and Debentures

A Bond / Debenture is a debt obligation; the Bond / Debenture holder is a lender to the issuer and there is no ownership position.

6.9.1 Features

- a) Interest to be calculated as per Information Memorandum.
- b) Prices to be quoted up to a maximum of four decimal places. In terms of yield, it is quoted up to four decimal places.
- c) If the Bond / Debenture has a residual maturity of less than one year and there is no interim interest payment due before maturity then the yield calculation will be done on the basis of Money Market yield calculation method. (Yield calculation on the basis of Actual / 365)

6.9.2 Letter of Allotment (LoA):

Letter of Allotment (LoA) is a letter issued by the issuer of a bond / debenture providing details of:

- Quantum allotted,
- Distinctive number of debentures / bonds allotted,
- Name of the holder,

- Terms and conditions of transfer, etc.

An LoA is a transferable instrument. LoA can be issued in the physical or the demat form and is tradable as per the rules governing the LoAs. If the trade for a bond/debenture is based on an LoA, the buyer should be made aware of the same before conclusion of the deal.

Allotment Advice is an intimation given by the issuer of the amount of debenture / bond allotted to the investor. Unlike an LoA, the allotment advice is not a transferable instrument.

6.9.3 Reporting and Settlement

The counterparties shall report the details of secondary market transactions to one of the exchanges (NSE / BSE / MCX-SX) on their respective reporting platforms viz. CBRICS, ICDM and MCX-SX and the settlement will be on DVP basis.

Derivative Products

6.10 Rupee Interest Rate Swap

6.10.1 An interest rate swap is a financial contract between two parties exchanging or swapping a stream of interest payments for a 'notional principal' amount at predetermined occasions during a specified period.

Such contracts generally involve exchange of a 'fixed to floating' or 'floating to floating' rate of interest. Accordingly, on each payment date that occurs during the swap period, cash payments based on fixed / floating and floating rates, are made by the parties to one another.

6.10.2 Features

- a) **Minimum Notional Principal Amount:** The minimum notional principal amount for which market makers will stand committed to their two-way quote is Rs. 5 Crores.
- b) **Tenor:** The swap can be flexible in tenor i.e., there is no restriction on the tenor of the swap.
- c) **Day Count Convention:** Unless stated otherwise, a rupee interest rate swap shall be assumed to have a day count basis of "Actual / 365".
- d) **Market Trading Hours:** The trading hours will be 9.00 a.m. to 5.00 p.m. or as decided by the regulator for all swaps wherein the benchmark is based on the money market or the fixed income market. In respect of swaps, wherein the benchmark is based on the foreign exchange market, the trading hours will be in accordance with the permitted foreign exchange market timings or as decided by the regulator.
- e) **Effective Date:** The Effective Date will be the first Mumbai Business Day (excluding Saturday) after the Trade Date, except for interest rate swaps against which payments are based upon the "FBIL-MODIFIED-MIFOR" Floating Rate Option, for which the Effective Date will be the second Mumbai Business Day (excluding Saturday) after the Trade Date which is also a good day as per New York calendar, since FBIL-MODIFIED-MIFOR trades also follow the New York holiday calendar.
- f) **Business Day Convention:** The Business Day Convention applicable to all INR Interest Rate Swaps shall be the Modified Following Business Day convention, unless otherwise specified in the confirmation.

- g) **Business Day:** Unless otherwise specified in the Confirmation, Saturdays shall not be Business Days for any purpose, even for MIBOR. It is recommended that regardless of the centre where the deal is transacted, the benchmark and the holiday calendar for the purposes of computation of interest streams be as that in Mumbai, except in case of interest rate swaps wherein the benchmark is based on the foreign exchange market, for which the holiday calendar of the relevant centre for that currency will also be applicable.
- h) **Reset dates:** No fixing of rates and compounding of interest will be done on a Saturday.
- i) **Day count fraction:** The Day Count Fraction applicable to all INR interest rate swap transactions shall be Actual / 365 Fixed.
- j) **Broken or short calculation periods:** The rate for any Calculation Period which is shorter than the Designated Maturity set forth in the Confirmation will be determined by the Calculation Agent based upon straight line interpolation between the:
- Floating Rate Option with a Designated Maturity that is immediately shorter than the Calculation Period and
 - Floating Rate Option with a Designated Maturity that is immediately longer than the Calculation Period.
- k) **Floating Rates:** The definitions of the various floating rates that are currently dealt with in respect of interest swaps and their definitions are given below:

1) FBIL-MIBOR-OIS-COMPOUND:

FBIL-MIBOR- OIS-COMPOUND is the rate for a Reset Date, calculated in accordance with the formula set forth below, will be the rate of return of a daily compound interest investment (It being understood that the reference rate for the calculation of interest is the daily MIBOR).

Formula for calculation of the Floating Rate:

FBIL-MIBOR-OIS-COMPOUND will be calculated as follows, and the resulting percentage will be rounded in accordance with method set forth in Section 8.1(a) of the 2021 ISDA Definitions, but to the nearest one ten-thousandth of a percentage point (0.0001%)

$$\left[\prod_{i=1}^{d_0} \left(1 + \frac{R_i \times n_i}{365} \right) - 1 \right] \times \frac{365}{d}$$

where:

“d₀“, for any Calculation Period, is the number of Mumbai Business Days in the relevant Calculation Period;

“i” is a series of whole numbers from one to “d₀”, each representing the relevant Mumbai Business Days in chronological order from, and including, the first Mumbai Business Day in the relevant Calculation Period;

**(Mumbai Business Day Means a Mumbai Banking Day, except any Saturday, even if commercial banks settle payment and are open for general business on Saturdays)*

“n_i” is one, except where the Mumbai Business Day is the day immediately preceding a day which is not a Mumbai Business Day, in which case, it is the number of calendar days from, and including, that Mumbai Business Day to, but excluding the next Mumbai Business Day;

“d” is the number of calendar days in the relevant Calculation Period; and

“R_i”, for any Mumbai Business Day “i” in the relevant Calculation Period is:

- The FBIL-OVERNIGHT-MIBOR (“MIBOR”) is a reference rate equal to the daily overnight Mumbai Inter-Bank Outright Rate (“MIBOR”), as published by FBIL as of 10:45AM, Indian Standard Time on that Mumbai Business Day on its website “<https://www.fbil.org.in>”.
 - If FBIL does not publish such rate then fall back as per ISDA document will be applicable.
- Interest computation methodology: The computation of the interest on the fixed leg would be done assuming that the fixed rate quoted is a nominal rate. The floating rate, if it is an overnight rate, would be compounded every Mumbai business day. This implies that the floating rate interest would be

compounded on a daily basis except when there is a holiday / Saturday / Sunday. In case of a holiday / Saturday / Sunday, the interest would be computed on simple interest basis for the intervening period from the preceding Mumbai business day to the succeeding Mumbai business day.

That is,

- a. The daily FBIL-OVERNIGHT-MIBOR rate is applied on the Notional Principal (NP) and the interest is computed on a daily basis.
- b. The compounded interest is added to the NP on a daily basis and capitalised.
- c. The FBIL-OVERNIGHT-MIBOR rate is applied on a daily basis on accrued interest plus notional principal for giving effect of daily compounding.
- d. The daily MIBOR interest calculation is done up to 10 decimal places but the final amount of coupon payable or receivable is rounded off to 2 decimal places (i.e. paise).
- e. The settlement is done by rounding off to the nearest Rupee.

This is best illustrated by means of an example. Example – One week swap:

Bank A is a fixed rate receiver for Rs. 25 crores, tenor one week at 6.8% and Bank B is a floating rate receiver.

The overnight call money rates (FBIL-OVERNIGHT-MIBOR) on the 7 days are as per the table below:

On Day 8 Bank B should pay Bank A interest of Rs. 3,26,027 ($25,00,00,000 * 6.8\% * 7/365$) and Bank A needs to pay bank B interest of RS.3,35,507 as per the calculation shown:

Day	FBIL-OVERNIGHT-MIBOR %	Notional Principal Amount Rs.	Floating Rate Interest Rs.	Cumulative Interest payable
15-Dec-15	6.99	25,00,00,000	47,877	47,877
16-Dec-15	6.85	25,00,47,877	46,927	94,804
17-Dec-15	7.10	25,00,94,804	48,649	1,43,453
18-Dec-15	7.03	25,01,43,452	1,44,535	2,87,987

19-Dec-15 (Sat)				
20-Dec-15 (Sun)				
21-Dec-15	6.93	25,02,87,987	47,520	3,35,507

(A) Amount payable by Floating Rate Payer after 7 days.

Principle amount = 25,00,00,000

Cumulative Interest = 3,35,507 (i)

Total Payable = 25,03,35,507

(B) Amount payable by Fixed Rate Payer after 7 days

Principle amount = 25,00,00,000

Cumulative Interest = 3,26,027 (ii)

Total Payable = 25,03,26,027

They will settle the difference of Rs. 3,26,027 (ii) and Rs. 3,35,507 (i) i.e. Bank A will pay Rs. 9,480/- to Bank B.

Confirmations to include:

Floating Rate Option:	FBIL-MIBOR-OIS-COMPOUND
Designated Maturity:	Overnight
Spread:	+/- [] % per annum
Floating Rate Day Count Fraction:	Actual / 365 Fixed
Reset Dates:	The last day of each Calculation Period.

Compounding:	Not applicable
Compounding Date:	Not applicable
Business Days:	Mumbai

2) MIFOR: (withdrawn with effect from 1st July 2023)

Please Refer Chapter 9.

3) MODIFIED MIFOR:

- a. MODIFIED MIFOR is a Benchmark published by Financial Benchmarks India Pvt. Ltd. (FBIL).
- b. FBIL's Methodology for computation and publication of MODIFIED MIFOR is available on their website www.fbil.org.in.
- c. Market Conventions- Conventions to be followed by Market participants in respect of trades in MODIFIED MIFOR are as under:
Confirmation to specify:

Floating Rate Option	MODIFIED MIFOR
Designated Maturity	[]
Spread	+/- [] % Per annum
Floating Rate Day Count Fraction	Actual / 365 Fixed
Reset Dates	The [first / last] day of each Calculation Period
Compounding	Inapplicable
Compounding Date	Inapplicable
Business Days for Reset Dates	Mumbai
Business Days for Market Conventions	Mumbai, New York
Market Conventions	A two-business day pay delay in all coupon payments in all trades of MODIFIED MIFOR is a standard market convention.*

**Note: Please refer circular No.: FIMCIR/2023-24/ 38 Date: 30th January 2024*

4) MIOIS:

Please Refer Chapter 9.

5) INR-BMK:

Please Refer Chapter 9.

6) INR-CMT:

Please Refer Chapter 9.

7) INR INTEREST RATE OPTIONS INCLUDING SWAPTIONS, CAPS, FLOORS, COLLARS AND REVERSE COLLARS:

- **Definitions:** As per the definition in RBI circular RBI/2018-19/222 FMRD.DIRD.19/14.03.046/2018-19 dated June 26, 2019 or as and when updated by RBI.
- **Underlying:** Please refer to RBI circular RBI/2018-19/222 FMRD.DIRD.19/14.03.046/2018-19 dated June 26, 2019 or as and when updated by RBI for underlying details.
- **Options Type:** European Interest Rate Options, Caps, Floors, Collars and Reverse Collars.
- **Settlement of Premium:** T+1 or T+2 business days.
- **Premium Deferment:** For client transactions, premium may be paid by clients on a deferred basis. All such deferred premium transactions and premium paid thereof shall be in line with the guidance issued by RBI vide RBI/2012-13/535 DBOD.No.BP.BC.102/21.04.157/2012-13 dated June 18, 2013 or as amended from time to time.
- **Notional Principal:** As per mutual agreement.
- **Trading Hours:** 09:00 to 17:00 (Monday to Friday) or as decided by the regulator-
- **Tenor:** The standard Market Tenors are defined as 1M, 3M, 12M, 2Y, 3Y, 5Y for Interest Rate Cap/Floor/Option. Please note that non-standard tenors are also allowed for both client trades and inter-bank trades.
- **Expiry Date:** As per mutual agreement.
- **Cut-off time / Rate fixing time / Fixing Rate:** As published by FBIL / FIMMDA / RBI or as approved by the FIMMDA for this purpose.
- **Settlement Mode:**
 - a. Caps & Floors – Cash / Physical
 - b. Interest Rate Options – Cash / Physical
- **Day Count:** Actual/365(F) or as per standard convention applicable for the underlying / benchmark.
- **Settlement / Maturity Date:**
 - a. Cash Settlement – Not later than t+2 business days
 - b. Physical Settlement –Not later than t+2 business days
- **Holiday Convention:** Modified Following Business Day (MFBD)
- **Holiday Calendar:** Mumbai (India)

Important Note:

- a. *The conventions and settlement basis prescribed above for IRO / Cap / Floor shall also be applicable for any combination(s) of Interest Rate Options / Cap / Floor like Collar & Reverse Collar etc. or any structure product(s) whose one/few/all of the building blocks is/are Interest Rate Option / Cap / Floor.*
- b. *The above conventions may be customised to suit the requirements of the counterparties of the agreement/ease of operations.*

Example

Party B buys a 3 Y CAP on FBIL Overnight MIBOR at a strike price of 5% for INR 50 Million and pays an upfront premium of 1.50% on INR 50 million

Indicative Terms and Conditions – Example 1

Party A:	A
Party B:	B
INR Notional:	[50,000,000]
Trade Date:	[29 November 2021]
Effective Date:	[30 November 2021]
Maturity Date:	[30 November 2024]
Calendar for Resets & Payments:	Mumbai
<u>Floating Amounts</u>	
Floating Rate Payer:	Party A
Reference Rate:	FBIL OVERNIGHT MIBOR (Compounded Daily, Payment in arrears)
Strike Level	[5.00] %
Floating Rate Option	Max (Reference Rate – Strike Level, 0) *Day Count Fraction
Floating Rate Payer Payment Dates:	Semi-Annually, on each [30] of May, November each year commencing on [30] May 2022 up to (and including) the Termination Date, subject to the adjustment in accordance with the Business Day Convention
Reference Rate Reset Date	Daily
Floating Rate Day Count Fraction:	ACT/365F, adjusted

Floating Rate Calculation Periods:	Each Interest Calculation Period runs from (and including) the previous Floating Rate Payment Date (or Effective Date for the calculation of the first period) up to (but excluding) the Floating Rate Payment Date for that period.
<u>Upfront Amount:</u>	
Upfront Payer:	Party B
Upfront amount:	INR [750,000]
Upfront Payment Date:	Effective Date

Average INR OIS for the coupon period	3.00%	4.00%	5.00%	6.00%	7.00%	8.00%
Gain / Loss to Counterparty B under the Transaction (in % pa) for that coupon period	0.00%	0.00%	0.00%	1.00%	2.00%	3.00%

Indicative Terms and Conditions – Example 1

Party A:	A
Party B:	B
INR Notional:	[1,000,000,000]
Trade Date:	[14 December 2021]
Effective Date:	[15 December 2021]
Maturity Date:	[15 December 2026]
Calendar for Resets & Payments:	Mumbai
<u>Floating Amounts</u>	
Floating Rate Payer:	Party A
Reference Rate:	6M OIS Swap rate published by FBIL at EOD (Fixing observed in advance, Payment in arrears)
Strike Level	[5.50] %

Floating Rate	Max (Reference Rate – Strike Level, 0) *Day Count Fraction
Floating Rate Payer Payment Dates:	Semi-Annually, on each [15] of June, December each year commencing on [15] June 2022 up to (and including) the Termination Date, subject to the adjustment in accordance with the Business Day Convention
Reference Rate Reset Date	15 th Dec 2021 / 15 th June 2022 / 15 th Dec 2022 / 15 th June 2023 / 15 th Dec 2023 / 15 th June 2024 / 15 th Dec 2024 / 15 th June 2025 / 15 th Dec 2025 / 15 th June 2026 subject to MFBD
Floating Rate Day Count Fraction:	ACT/365F, adjusted
Floating Rate Calculation Periods:	Each Interest Calculation Period runs from (and including) the previous Floating Rate Payment Date (or Effective Date for the calculation of the first period) up to (but excluding) the Floating Rate Payment Date for that period.
<u>Upfront Amount:</u>	
Upfront Payer:	Party B
Upfront amount:	INR [20,000,000]
Upfront Payment Date:	Effective Date

Above example is just an illustration.

6.10.3 Documentation:

6.10.3.1 It is recommended that the counterparties sign the ISDA master agreement before entering into a swap.

The definitions contained in the 2021 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. shall apply to all INR interest rate swap transactions.

6.10.3.2 Exchange of deal confirmations is mandatory subject to the exemptions allowed in Chapter 4. The counterparties should exchange the rate fixing notices.

However, in the case of an OTC Overnight Index Swap (OIS) trades, reported to CCIL TR, if the counterparties have a bilateral agreement waiving the requirement of exchange of confirmations, then exchanging of physical confirmations may not be required for such IRS deals.

Subject to a bilateral/multilateral agreement between the banks/primary dealers, for the trades appearing in the “Matched Deals Report”, a separate confirmation need not be exchanged between the parties to the trade. This is true for trades in all benchmarks i.e., MIBOR, MMIFOR, MIBOR-OIS, etc

6.10.4 Unwinding of an Interest Rate Swap

Unwinding of a Swap will be done in the two following ways:

- a. By entering into an offsetting swap
- b. By marking the existing swap to market and settling the marked to market value

1) Entering into an offsetting swap:

An offsetting swap is one whose floating leg completely nets off the entire floating leg in the existing swap.

Example:

For Swaps where Floating Leg is compounded daily

Date of initiation was one month ago. Residual maturity of the swap is 11 months. Notional Principal at initiation was Rs. 25 Crore. The fixed (receive) leg was contracted at a rate of 7% p.a. Principal on floating leg gets compounded daily. Thus, today's value of the floating leg is (say) Rs. 25.50 Crore. In such a case, the offsetting swap would have a notional principal of Rs. 25.50 Crore, with a maturity of 11 months and the receive leg would be floating, so as to perfectly net out all the floating cash flows.

For Swaps where the interest on the Floating Leg is not compounded

Consider a fixed floating swap where the floating leg is payable three monthly and the benchmark is the 3 - Month Commercial Paper yield. Notional principal of Rs. 5 crore and the swap was initiated one month ago, with 11 months left. In such a case, the principal on both the floating and the fixed leg is the notional value. The offsetting swap would have to replicate the cash flows of the existing swap, in a manner that the interest exchange dates are exactly the same and the interest payments on the floating leg are the same. The notional principal for the offsetting swap would be the same as the existing swap. The existing and the offset swap would be run in the books till maturity.

6.10.5 Marking the existing swap to market and settling the marked to market Value

Valuation of the swaps is to be done as per the bilateral agreement between the counterparties. If there is no such agreement, then the Fixed Leg and the Floating leg of the swap are marked to market separately. The floating leg remains at par value, or the compounded value of the principal. The value of the fixed leg is equal to the present value of the fixed cash flows, discounted at the current fixed swap rates in the market. The market value of the swap is the difference between the fixed and the floating leg.

The marked to market value of the swaps will be paid and the swap will be closed out.

Examples

For Swaps where Floating Leg is compounded daily

Consider an OIS.

Date of initiation was one month ago. Residual maturity of the swap is 11 months. Nominal Principal at initiation was Rs. 25 crore. The fixed (receive) leg was today's value of the floating leg is (say) Rs. 25.50 crore. This is the marked to market value of the floating leg. Interest payment on the fixed leg would happen after 11 months. If the 11-month swap rate today is 6% p.a., then the value of the fixed leg would be the present value of Rs.26.75 crore discounted for 11 months at 6% p.a. using the contracted day count convention.

The recommended swap rates to use for discounting are the FBIL MIBOR-OIS rates of the designated maturity for overnight indexed swaps linked to the FBIL–OVERNIGHT MIBOR. The difference between the two values will be settled and the swap closed out.

For Swaps where the interest on the floating leg is not compounded Banks may use their internal models for discounting the cash flows for interest rate Swap and Currency Swap. For Interest Rate Swap it is recommended that the same discounting curve be used for both the fixed and floating leg of IRS.

6.11 Interest Rate Swaptions:

Operational Guidelines

6.11.1 Definitions:

- a. Interest Rate Derivative (IRD) is a financial derivative contract whose value is derived from one or more interest rates, prices of interest rate instruments, or interest rate indices.
- b. Interest Rate Swaption is an option on interest rate swaps. A swaption gives the buyer the right, but not the obligation, to enter into an interest rate swap.
- c. Interest Rate Option (IRO) is an option contract whose value is based on Rupee interest rates or interest rate instruments.
- d. Overnight Indexed Swap (OIS) is an interest rate swap based on the Overnight Mumbai Interbank Outright Rate (MIBOR) benchmark published by Financial Benchmarks India Pvt. Ltd. (FBIL).

6.11.2 Product Details:

Only European swaptions on OIS are permitted.

- a. European OIS Swaption Contract:
An European Swaption contract between two parties gives the buyer of the swaption the right but not the obligation to enter into an INR OIS at the expiry of the Swaption at a predetermined strike rate.

The Strike Rate is the Fixed Rate of the underlying swap exchanged for an INR OIS.

- i. Payer Swaption: Gives the buyer the right but not the obligation to pay a fixed rate (strike rate) and receive floating FBIL Overnight MIBOR for the tenor of the swap, if rate of the underlying OIS at expiry is greater than the strike rate. The long party hence benefits from an upward movement in rate.
- ii. Receiver Swaption: Gives the buyer the right but not the obligation to receive a fixed rate (strike rate) and pay floating FBIL Overnight MIBOR for the tenor of the swap, if the rate of the underlying OIS at expiry is less than the strike rate. The buyer hence benefits from a downward movement in rates.

b. Premium:

Premium to be paid Upfront (T+1).

For client transactions, (for swaptions and swaption structures) premium may be paid by clients on a deferred basis. All such deferred premium transactions and premium paid thereof shall be in line with the guidance issued by RBI vide RBI/2012-13/535 DBOD.No.BP.BC.102/21.04.157/2012-13 dated June 18, 2013 or as amended from time to time.

c. Expiry Time: 11:30 a.m. IST

Expiry Process: The Strike Rate is compared to the prevailing rate for the corresponding tenor of OIS at the time of expiry and the Swaption is then either In-The-Money (“ITM”) or Out-of-the- Money (“OTM”). The Buyer of the swaption has to intimate the seller of the option at time of expiry whether the option is getting exercised or not.

Physical / Gross Settlement: Gross Settled on T+1 basis; If the buyer chooses to exercise the swaption, a Swap will be generated between the counterparties.

Cash / Net Settlement: If the swaption is cash / net settled, no swap will be written on the expiry. The net settlement of swaption will be as per the prevailing market price of the underlying swap at the time of expiry, as mutually agreed upon between the counterparties to the agreement.

6.11.3 Standard Tenors:

The standard Market Tenors are defined as 1M, 3M and 12M for Interest Rate Swaptions for OIS maturities 1Y, 2Y and 5Y. This will facilitate uniform data being available on the CCIL platform.

The interbank participants should endeavour to trade in standard tenors, however interbank participants can also trade on non-standard tenors as per requirement.

Interest Rate Swaption deals with customers can be for tenors as per customer's requirements.

Unwind transactions: Banks may unwind transactions either with interbank counterparties or their clients on a mutually agreed basis.

6.11.4 Internal Policies:

All Banks shall have internal policies / procedures duly approved by Board/ Equivalent Committee/ Equivalent Forum/ relevant Management Committee for dealing in Interest Rate Swaptions. These should cover policies / processes related to permitted products, risk limits, system capabilities, valuation, accounting, reporting, Client Suitability and Appropriateness etc.

Banks to ensure that all client transactions are conducted in consonance with the comprehensive derivative guidelines or its equivalent published by RBI with strong focus on client suitability & appropriateness and pricing transparency and disclosures.

6.11.5 Reporting:

- All counterparties of Swaption deal to report the deal to CCIL, within 30mins of the execution of the trade, irrespective of being a member of CCIL clearing / settlement or otherwise.
- The Swap which will be generated at the time of expiry of swaption and must be reported to CCIL at historical rate mentioning identifier as SWAPTION. The same Swap will be excluded from for the calculation of for the day trades of OIS.
- Banks to decide individually regarding participation in Portfolio compression of OIS deals generated via swaption deals.
- Data dissemination would be done on ticket-by-ticket level (only for interbank deals) and not on consolidated level. The counterparties will not be disclosed but other parameters will be disclosed (only for interbank deals). The ticket-by-ticket data will help to generate more independent points for the market and the same may be used by banks to consume internally for creation of EOD valuation as per their internal policies.
- Data dissemination to include ATM vol which both the parties will agree for the trade.
- For customer deals, data dissemination will be done as per market standard as per Regulator's approval.

6.11.6 Settlement:

- Physical / Gross or Cash/Net Settlements:

The market participants may opt for:

- o Physical / Gross settlements on T+1 basis.

- o Cash / Net settlements as per mutual agreement between the counterparties. Rates to be decided bilaterally.

- When gross settled into a Swap, if both parties are guaranteed settlement members of OIS segment, CCIL to automatically clear that trade. Such trades are not to be part of TR dissemination providing details of trades dealt in the day (as the swap rates can be different from ongoing market)/ to be disseminated differently.

6.11.7 Valuation

Banks have to adopt their own method of valuation, as approved by their internal valuation or any other appropriate committee, based on externally available rates or internal models or any hybrid combination or trader marks etc suitably validated internally.

FIMMDA and market participants would work closely with FBIL to evolve an appropriate valuation methodology based on market volumes and for providing benchmark valuation by FBIL.

6.11.8 Illustration of the product and formula of premium calculation:

Banks to be allowed to negotiate trades with clients on mutually agreed basis

Example Receiver Swaption Trade:

Derivative: Receiver Swaption with expiry in **1 month**

Underlying: Vanilla INR OIS Swap with tenor of **5 years**

Strike Rate: 5.00% p.a. receivable semi annually

Notional: INR 100crores

Fixed Rate of Swap: Strike Rate

Floating Rate of Swap: FBIL INR overnight MIBOR

Party A: Long

Party B: Short

Premia Paid Upfront by Long Party to Short Party: A pays upfront premium to B.

Pay-off on expiry Date: If the rate at 11.30 a.m for underlying is < strike rate then Party A will exercise the Swaption resulting in a Vanilla INR OIS trade being booked between Party A (the Fixed Rate Receiver) and Party B (the Fixed Rate Payer) which will give an immediate MTM gain to Party A.

Example Payer Swaption Trade:

Derivative: Payer Swaption with expiry in **1 month**

Underlying: Vanilla INR OIS Swap with tenor of **5 years**

Strike Rate: 5.00% p.a. payable semi annually

Notional: INR 100crores

Fixed Rate of Swap: Strike Rate

Floating Rate of Swap: FBIL INR overnight MIBOR

Party A: Long

Party B: Short

Premia Paid Upfront by Long Party to Short Party: A pays upfront premia to B

6.11.9 Illustrative Formula for calculating premium (Black's Model) (Bilateral contracts can agree on mechanisms as per the calculation agent chosen methodology):

$$\text{premia for payer swaption} = XA\{FN(d1) - SN(d2)\}$$

$$\text{premia for receiver swaption} = XA\{SN(-d2) - FN(-d1)\}$$

Where

X: Underlying Swap Notional

$$A = \frac{1}{m} \sum_{i=1}^{mn} DF_{mn}$$

i.e. discount factors (DF) for "n" swap payments made "m" number of time in the year

F: Forward Swap Rate/Reference Rate

S: Strike Rate

$$d1 = \frac{\ln\left(\frac{F}{S}\right) + \sigma^2 T / 2}{\sigma \sqrt{T}}$$

$$d2 = \frac{\ln\left(\frac{F}{S}\right) - \sigma^2 T / 2}{\sigma \sqrt{T}}$$

σ : *implied volatility of the Forward Swap/Reference Rate*

T : *Time to expiry (years)*

6.12 Forward Rate Agreement

6.12.1 Definition

A Forward Rate Agreement (FRA) is a financial contract between two parties to exchange interest payments for a 'notional principal' amount on settlement date, for a specified period from start date to maturity date. Accordingly, on the settlement date, cash payments based on contract (fixed) and the settlement rate, are made by the parties to one another. The settlement rate is the agreed bench-mark/reference rate prevailing on the settlement date.

6.12.2 Features and documentation

- a) It is expected that the minimum notional principal amount for which market makers will stand committed to their two-way quote is Rs. 25 Crore.
- b) The FRA will follow the same day count convention as that applicable to the underlying benchmark (floating) rate.
- c) The rate fixing notices have to be exchanged between the counterparties.
- d) The Benchmark for the FRA can be any Indian Rupee interest rate benchmark. However, the Benchmark should be clearly defined, widely disseminated and prevalent in the market.
- e) Unless otherwise stated the Modified Following Business Day convention will be followed for settlement.
- f) No fixing of rates and compounding of interest will be done on a Saturday.
- g) It is recommended that regardless of the centre where the deal is transacted, the benchmark and the holiday calendar for the purposes of computation of interest streams be as that in Mumbai.

6.12.3 Settlement

- a) Interest computation methodology
The computation of the interest on the fixed leg would be done assuming that the fixed rate quoted is a nominal rate. Interest computation on the floating rate would be as per the convention used by the underlying benchmark.
- b) The settlement of an FRA will be on the start date of the FRA

c) Example

Bank A and X Ltd. enters into a 3 X 6 FRA. X Ltd. pays FRA rate at 9.00 %. Bank A pays benchmark rate based 90-day Treasury Bill

Additional details:

Notional principal amount (NP)	: Rs. 10 crore
FRA trade date	: January 3, 2016
FRA start/settlement date	: April 3, 2016
FRA maturity date	: July 3, 2016
FRA fixing date	: April 2, 2016

Assume, 90day Treasury Bill published by FBIL on fixing date (April 2, 2016) is 8.50 %.

Cash flow calculations:

- Interest payable by X Ltd:

$$\frac{\text{Rs.10 crore (NP)} * 9.00 \text{ (rate)} * 91 \text{ (no of days from April 3 to July 3, 2016)}}{365 * 100}$$

i.e. Rs. 22,43,836/-

- Interest payable by Bank A:

$$\frac{\text{Rs.10 crore} * 8.50 \text{ (Benchmark rate)} * 91 \text{ (same as above)}}{365 * 100}$$

i.e. Rs. 21,19,178/-

- Therefore, a net interest amount of Rs. 1,24,658/- is receivable by Bank A on the maturity date i.e. July 3, 2016. However, the settlement of the amount is to be done on April 3, 2016 on the discounted value i.e.

$$\frac{124658}{\{1 + \frac{(8.50 * 91)}{365 * 100}\}}$$

i.e. Rs. 122,071/-

X Ltd. will pay to Bank A Rs. 122,071/- on April 3, 2016

6.13 Bond Forward Rate Agreement (Bond-FRA)

6.13.1 Background

Reserve Bank of India had issued Rupee Interest Rate Derivatives (Reserve Bank) Directions, 2019 vide notification RBI/2018-19/222 FMRD.DIRD.19/14.03.046/2018-19 dated 26th June 2019 updated as on 8th August 2022.

These directions provide that:

Para 6

(b) Market-makers may offer the following products to retail users

- i. Forward Rate Agreement (FRA),*
- ii. Interest Rate Swap (IRS), and*
- iii. European Interest Rate Options (IRO) including caps, floors, collars and reverse collars*

(c) In addition to the products listed in (b) above, market-makers may offer swaptions and structured derivative products, excluding leveraged derivatives, only to non-retail users.

(j): "Settlement basis and other market conventions for IRD transactions may be specified by FIMMDA, where possible, in consultation with market participants."

6.13.2 Product Brief:

Bond Forward Rate Agreement (Bond-FRA) is a derivative product, wherein the two parties enter into an agreement to exchange the difference between the price of a specified debt security (Bond) for a specified future date as determined today (the FRA price) and the price of the said specified security on the said specified future date as per the contractual agreement entered into.

This product has been popular with Insurance Companies, for managing the interest rate risks. Banks have predominantly been the market makers for these transactions with insurance companies. The underlying security has predominantly been dated securities issued by the Government of India.

As FBIL publishes the prices of G-Secs, SDLs and STRIPS daily, these can be used as underlying for Bond-FRA.

Accordingly, FIMMDA New Product Committee comprising of key players in the Market have met and deliberated on the subject and proposed the following Settlement basis and other Market conventions to be followed by the interbank market in respect of Bond Forward Rate Agreement (Bond-FRA) as below:

6.13.3 Bond FRA Conventions

1. Product Offering: FRA definition is as per [RBI circular RBI/2018-19/222 FMRD.DIRD.19/14.03.046/2018-19 dated June 26, 2019](#) (IRD guidelines) or as amended from time to time. (Link given below)
2. Underlying for hedge requirement: As per RBI IRD guidelines, amended from time to time (Extant RBI IRD guidelines can be accessed at [RBI circular RBI/2018-19/222 FMRD.DIRD.19/14.03.046/2018-19 dated June 26, 2019](#))
3. FRA Security / Reference Rates: FBIL publishes daily various securities such as prices of G-Secs, SDLs and STRIPS etc. These can be used as underlying / references for Bond-FRA.
4. Notional Amount: As per mutual agreement
5. FRA Maturity Date: As per mutual agreement
6. Trading Hours: 09:00 to 17:00 (Monday to Friday) on Mumbai working days or as decided by the regulator.
7. Settlement Basis: Net settlement
8. Settlement Fixing Price: Price of the published Benchmark security price published by FBIL on S-2 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.
9. Holiday Convention: MFBD Modified Following Business Day

10. Holiday Calendar: Mumbai

11. Valuation: As per Bank's Internal Valuation Methodology as approved by appropriate internal Committee.

12. Reporting: All Bond FRAs are to be reported to CCIL TR as per timelines applicable.

13. Compliance: In case of any conflict of the provisions in the product convention with the Rupee Interest Rate Derivatives (Reserve Bank) Directions, 2019 dated June 26, 2019('the Directions'), as updated from time to time, the Directions shall prevail.

14. Others: The conventions are intended to bring in uniformity and standardization in the market. The above conventions may be customised to suit the requirements of the counterparties of the agreement / ease of operations subject to such terms being not in contravention of any statutory / regulatory guidelines as applicable.

6.13.4 Product Mechanics (in detail):

Party A is the receiver of fixed rate (future yield of underlying security)

Party B is the payer of fixed rate (future yield of underlying security).

The two parties to the transaction agree on the transaction date (Trade Date, T), the yield and hence the price P_x (FRA) of a specified security (ISIN XXXX) for a future date (Settlement Date S) for a specified notional amount (F).

The price P_x (FRA) is determined from spot yield (price) of underlying bond at the initiation of the deal (P_x (Ini)) and funding cost for holding the security (funding cost) till the settlement date. The cashflows considered for valuation involve outflow related to purchase the bond as a hedge, inflow of coupons from the bond and inflow from the Bond FRA price. These are discounted at funding curve and P_x (FRA) is computed which makes NPV equal to zero.

Typically, funding costs are determined as a spread over OIS for the period (S-T).

On the settlement date, the difference between P_x (FRA) and the price ISIN XXXX, viz. the Settlement Price P_x (Fin) is exchanged.

Party A gets P_x (Fin)- P_x (FRA) multiplied by the face value of the trade from the Party B.

Transaction Example:

Counterparty A: Fixed Rate Receiver

Counterparty B: Fixed Rate Payer

Trade Date- T

Security: ISIN XXXX

Notional Amount/ Nominal Amount/ Face Value of the Bond: F Initial Price of Bond: Px (Ini)

FRA Price: Px (FRA)

Settlement Date: S

Settlement Price: Px (Fin)

Settlement Amount on Settlement Date:

Party A gets $F * (Px (Fin) - Px (FRA)) / 100$ Determining Px (Fin)

Px (Fin) is determined on S-1, known as price determination date. (As Security settlement is usually +1 day).

Typically, on S-1, parties look at the ISIN XXXX price published by FBIL on S-2 end of day and duly adjusted for any price movement of an agreed benchmark security between S-2 and S-1.

It should be ensured that the settlement price (*keeping FBIL Benchmark price published on S-2 as a base*) is representative of the market and is determined in a fair, transparent and objective manner agreed by the both parties.

6.14 Bond Forward – Settlement basis and Market Conventions

6.14.1 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.”

6.14.2 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.

6.14.3 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.

6.15 Credit Default Swap (CDS)

CDS STANDARD TERMS

6.15.1 General Terms

Fixed Rate Payer	CDS Buyer.
Floating Rate Payer	CDS Seller.
Initial Payment Date	The Business Day immediately following the Trade Date or Two Business Days following the Trade Date, as may be specified in the Transaction Supplement
Effective Date	The Fixed Rate Payer Payment Date falling on or immediately prior to the calendar day immediately following the Trade Date.
Upfront Payment Date	Initial Payment Date.
Upfront Payment Calculation	Market participants may use CDS prices available on agreed market pricing tools or rely on their internal models, wherever applicable, to arrive at the upfront fee amount that is consistent with the standard terms of the CDS contract and is mutually agreeable to both the counterparties.
Standard Coupon	100 (or) 500 bps.
Quoting Convention	Standard premiums for High grade names; Points Upfront for high yield names.
Calculation Agent	CDS Seller.
Business Day	Mumbai.
Business Day Convention	Following Business Day.
Obligation Seniority	Not Subordinated

Recovery Rate	40%
Day Count	Actual/365.
Currency	INR (Indian Rupee).
Credit Event Backstop	Rolling 60 calendar days.
Settlement Method	Physical settlement.
Discount Curve	Onshore MIBOR OIS curve.

. “This document, and the illustrations herein, needs to be interpreted and read along with the provisions of the Master Credit Derivatives Confirmation Agreement for Indian Credits (“MCA”), and in reference to the relevant ISDA Credit Derivatives Definitions. In case of any conflict between this document and the provisions of the MCA, ISDA Credit Derivatives Definitions or the RBI (Credit Derivatives) Directions, then the MCA, ISDA Credit Derivatives Definitions or the RBI (Credit Derivatives) Directions shall prevail over this document. This document does not aim to address the specific financial objectives or legal requirement of any investor, and the recipient of this document should take its own independent financial and investment advice prior to proceeding on any suggestions provided in this document.”

6.15.2 Fixed Rate Payments

Fixed rate payment	Standard CDS coupon
Calculation Amount	Notional protection amount
Fixed Rate Payer Payment Date	Standard IMM Dates (viz. March 20, June 20, September 20, and December 20).
Fixed rate day count	Actual/365.
Coupon Rebate Payment	Accrued CDS coupon from Previous IMM date to the day immediately prior to Effective Date.
Coupon Rebate Date	Initial Payment Date.

6.15.3 Floating Rate Payments

Floating rate payment	Notional CDS amount (on physical settlement)
Credit Events	1. Bankruptcy.

	<ol style="list-style-type: none"> 2. Failure to pay (Threshold of INR 10 million or equivalent). 3. Restructuring. 4. If Financial Reference Entity Terms are specified as applicable in the Transaction Supplement, Governmental Intervention <p>Default Requirement: INR 10,000,000 (or the relevant Obligation Currency Equivalent thereof as of the occurrence of the relevant Credit Event).</p>
Notification of Credit Event	Credit Event Notice.
Publicly Available Information.	Publicly Available Information.

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6.15.4 Settlement terms

Settlement method	Physical settlement
Deliverable Obligation Category and Characteristics	<ol style="list-style-type: none"> 1. Retail User Transaction Reference obligation only. 2. Market Maker Transaction: Eligible Deliverable obligation (As per the provisions of the MCA).
Physical Settlement period	<ol style="list-style-type: none"> 1. Retail User Transaction: Ten (10) Business Days. 2. Market-maker Transaction: Thirty (30) Business Days.
Excluded Deliverable	Asset-Backed Securities.
Obligations	Mortgage-Backed Securities.

	Guarantees. Convertible Obligations / Exchangeable Obligations.
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Note: As per the provisions of the Master Confirmation Agreement (MCA), "User Transaction" refers to transactions if one of the parties is a Retail User. If neither party is a Retail User, then each transaction shall constitute a "Market-maker Transaction", including transactions where one of the parties is a Non-Retail User.

6.15.5 Reporting

1. Market-makers shall report all OTC CDS transactions within 30 minutes of the transaction, to the trade repository of Clearing Corporation of India Ltd. (CCIL).
2. Market-makers shall report all unwinding, novation, settlement transactions, and any credit, substitution or succession event to the trade repository of CCIL

6.15.6 Valuation

Banks have to adopt their own method of valuation, as approved by their internal valuation or any other appropriate committee, based on externally available rates or internal models or any hybrid combination or trader marks etc., suitably validated internally.

FIMMDA and market participants would work closely to evolve an appropriate valuation methodology.

“This document, and the illustrations herein, needs to be interpreted and read along with the provisions of the Master Credit Derivatives Confirmation Agreement for Indian Credits (“MCA”), and in reference to the relevant ISDA Credit Derivatives Definitions. In case of any conflict between this document and the provisions of the MCA, ISDA Credit Derivatives Definitions or the RBI (Credit Derivatives) Directions, then the MCA, ISDA Credit Derivatives Definitions or the RBI (Credit Derivatives) Directions shall prevail over this document. This document does not aim to address the specific financial objectives or legal requirement of any investor, and the recipient of this document should take its own independent financial and investment advice prior to proceeding on any suggestions provided in this document.”

Chapter 7

Unscheduled Holiday

7.1 Declaration of an unscheduled holiday

An Unscheduled Holiday may be declared on account of the following:

7.1.1. Events that could lead to total settlement transactions coming to a halt like general bandh / political disturbances /disruption of public utility services due to heavy rains, etc. These events would have an impact on the overall system and would be common to all players at a particular place. These are being termed for the purpose of this Handbook as “systemic problems”.

7.1.2 Events that could have an impact on transactions entered into between few or a group of market participants like a strike in one bank / few banks / organizations participating in money market. This would pose settlement problem to the counter party to the transactions entered with such market participant(s). These are being termed for the purpose of this Handbook as “specific problems”.

Depending on the type of event, as given above, the treatment for settlement of the transactions will vary.

7.2 Deal confirmation

No separate deal confirmation would be required, if the conventions, listed below are followed on declaration of an unscheduled holiday.

7.3 Declaration of unscheduled holiday due to systemic problems

These will be as per Directions issued by RBI and as per attendant CCIL / FIMMDA notification.

7.3.1 Call Money

- Settlement of second leg would be done at the contracted rate for the extended period of settlement. In other words, additional interest for one /more day/s would be payable at contracted rate on amount borrowed.

- Call Money transactions due for settlement on 1st leg would get automatically cancelled as, the transaction is by nature, overnight money.

7.3.2 Notice Money / Term Money (Inter-Bank)

- Where 1st leg of the transaction could not be performed because of the above event, the contract would be deemed to have been done for settlement on the following working day for the same original period (number of days) and at same rate. The other terms of the contract would remain unaltered.
- Banks and PDs do enter into long-term inter-bank transactions with payment terms like payment of interest on quarterly / half yearly basis. If such quarterly / half yearly interest is payable on such day it would be effected on the next working day without any other levy.
- Where the 2nd leg of the transaction cannot be performed, the repayment date will be extended by the number of days of the unscheduled holiday at the contracted rate.

7.3.3 Bill Rediscounting Scheme (BRD) Issue of BRD (UPN)

- Where 1st leg of the transaction could not be performed because of the above event, the contract would be deemed to have been done for the settlement on the following working day for the same period (in days) and at same rate. All the other terms of the contract would remain unaltered.
- If due to postponement of the settlement of the 2nd leg falls on a holiday, the due date / period would be extended such that the 2nd leg falls on a normal working day.

If redemption date happens to be unscheduled holiday

- The holder of the BRD could be original lender or could be transferee/ holder in due course. Where, the original lender holds the BRD on due date, the performance of 2nd leg would be at contracted rear end rate of interest / discount i.e., if BRD is contracted at 10% p.a front end and if rear end (effective) discount rate works to 10.25% p.a. in such a case, on face value of BRD, for additional day/days interest (at 10.25 % p.a.) would be payable to the holder / lender.
- If the holder is different from the first lender (secondary market purchase), the holder would not have authentic information about the rate at which the primary market deal was done between the first lender and promisor. Hence, it would be appropriate to settle the transaction at the previous working day's FBIL OVERNIGHT MIBOR (MIBOR) for the additional day/s.

7.3.4 Certificate of Deposit and Commercial Paper

- **Primary Market Issuance:** Where the 1st leg of the transaction in the primary market could not be performed because of the above event, the contract would be deemed to have been done for settlement on the following working day for the same period / original duration and at the same rate. All other terms of the contract would remain unaltered. Thus, the due date would get extended.
- **Secondary Market Trade:** In case of secondary market deals, contracts would be performed on the following working day at “contracted rate of yield” (actual price to be worked as per market convention for every Rs.100/- up to four decimals – rounded off). Hence, the consideration would undergo a change.
- **Redemption:** CDs and CPs due for redemption would be redeemed by the respective issuers by paying day/s interest at contracted interest / discount rate, if the holder is the first investor. If CD / CP is held by transferee (for secondary market trades) the issuer would pay the investor/holder in due course interest on the face value of the CD / CP at previous day’s MIBOR rate. The basis in all the above cases would be Actual/365-day basis. This is similar to what has been stated for BRD.

7.3.5 Redemption of T-Bills / Dated Government Securities

The decision regarding the value date of the credit of the amount to the account of the investor will be taken by the RBI.

7.3.6 Outright sale of government securities contracted between the market Players

- The settlement consideration would be the total of the clean price + accrued interest till the relevant extended settlement date.
- Trades are settled through CCIL and the settlement will be as per CCIL bye-laws, rules and regulation.

7.3.7 Repo Transactions / LAF Transactions

Outright transaction and repo transactions for settlement on unscheduled holiday will be as per RBI / CCIL / FIMMDA notification.

7.3.8 Settlement of Transactions in Corporate Bonds / Debentures

- As in the case of Government Securities, the transactions due for settlement, would be settled on the following working day at the contracted rate.

- The gross consideration however, would undergo a change due to change in accrued interest / coupon.
- The broken period interest in respect of Bonds and Debentures as per SEBI circular is actual /actual. The same principle would be applied for the extension of settlement.
- If the security enters into shut period, on the following working day, on which the settlement would have been otherwise done, it would be left to the market players, to mutually resolve or cancel the contract of sale / purchase.
- If one of the parties to the contract wants to terminate the contract due to long shut period (the shut period for corporate bonds / PSU Bonds is uniformly 15 days) it can do so. Parties to the contract can work out mutually acceptable terms.

7.3.9 Interest Rate Swaps / Forward Rate Agreements

- Where the settlement cannot be done on the start date of the IRS / FRA the contract shall be deemed to have been extended by one / more day/s as regards the commencement and termination day, on the same terms and conditions.
- Where the settlement of second leg cannot be performed on due date of the IRS, the contract shall be deemed to have been made for settlement on the following working day on same terms and conditions. Thus, the period of contract of IRS would get extended by such delayed settlement period.

7.4 Declaration of unscheduled holiday due to specific events

As stated in para 4.1.2, on a strike / non-participation by a Bank / PD / FI or a group of Banks / PDs / FIs etc., the counter party to such bank(s) / PD(s) / FI(s) would find it difficult to settle the transactions. The treatment of settlement of transactions with such bank(s) / PD(s) / FI(s) is given below. No contract would get cancelled automatically due to failure of one contracting party unless both the parties to contract cancel / modify with mutual consent.

This section is only applicable to trades not settled through CCIL

7.4.1 Call Money

- Settlement of second leg would be done at the contracted rate for the extended period of settlement. In other words, additional interest for one / more day/s would be payable at contracted rate on amount borrowed.

- Call Money transactions due for settlement on 1st leg would get automatically cancelled as, transaction is by nature, overnight money.

7.4.2 Notice Money / Term Money (Inter-Bank)

- Where 1st leg of the transaction could not be performed because of the above, the contract would be deemed to have been done for settlement on the following working day for the same original period (number of days) and at same rate. The other terms of the contract would remain unaltered.
- Banks, PDs do enter long term inter-bank transactions with payment terms like payment of interest quarterly / half yearly. If such quarterly / half yearly interest is payable on such day it would be effected on the next working day without any other levy.
- Where the 2nd leg of the transaction (Re-payment) could not be performed such extension in terms of re-payment would be at the applicable contracted rate as applicable on the date of such event.

7.4.3 Bill Rediscounting Scheme (BRD):

- Issue of BRD (UPN)
- Where 1st leg of the transaction could not be performed because of the above event, the contract would be deemed to have been done for the settlement on the following working day for the same period (in days) and at same rate. All the other terms of the contract would remain unaltered.
If redemption date happens to be unscheduled holiday:
- The holder of the BRD could be original lender or could be transferee / holder – in - due - course. Where, the original lender holds the BRD on due date the performance of 2nd leg would be at contracted rear end rate of interest / discount i.e. if BRD is contracted at 10% p.a. front end and if rear end (effective) discount rate works to 10.25% p.a. in such a case on face value of BRD, for additional “day/days” interest at 10.25 % p.a. would be payable to the holder / lender.
- If the holder is different from the first lender (secondary market purchase), the holder would not know the rate at which the primary market deal was done between the first lender and promisor hence, it would be appropriate to settle the transaction at the MIBOR prevailing on the date/s of such extension/s for the additional day/s.

7.4.4 Certificate of Deposit and Commercial Paper

- **Primary Market Issuance:** Where 1st leg of the transaction of primary market could not be performed because of the above event, the contract would be deemed to have been done for the following working day for settlement for the same period / original duration and at same rate. In a way the other terms of the contract would remain unaltered. Thus, the due date would get extended.

- **Secondary Market Trade:** In case of secondary market deals contract would be performed on the following working day at “contracted rate of yield” (actually price to be worked as per market convention for every Rs.100/- up to four decimals – rounded off). Hence, the consideration would undergo a change.

- **Redemption:** CDs and CPs due for redemption would be redeemed by the respective issuers by paying day/s interest at contracted interest / discount rate, if the holder is the first investor. If CD / CP is held by transferee (for secondary market trades) the issuer would pay the investor/holder in due course interest on the face value of the CD / CP at the MIBOR rate prevailing on the date/s of such extension/s for such extended period. The basis in all the above cases would be 365 days a year. This is similar to what has been stated under BRD. IPAs may include a suitable clause in the IP agreement to provide for such payment of interest to the holder.

In respect of CD / CP Redemption where the payee / payee’s banker is on strike and as a result, it could not effect demat transfer of CP / CD for redemption, the issuer would not be liable to pay interest. If demat transfer of CD / CP has been already effected but on the actual redemption date/s, the payee / payee’s banker is on strike, the issuer shall effect transfer of funds through RTGS / NEFT. However, due to strike, etc at the issuer’s entity (bank / corporate / IPA in respect of CP) if the redemption cannot be made on the due date, the issuer would be liable for the compensation as stated above.

7.4.5 Redemption of T-Bills / Zero Coupon Bonds

Since, the credit of dated securities is to be effected at RBI, these transactions will go unaffected.

7.4.6 Outright sale of government securities contracted between the market Players

- Trades are settled through CCIL and the settlement will be as per CCIL bye-laws, rules and regulation.

7.4.7 Repo Transactions / LAF Transactions

These will be in accordance to the Directives issued by RBI / CCIL / FIMMDA.

7.4.8 Settlement of Transactions in Corporate Bonds / Debentures

- As in the case of Government Securities the transactions due for settlement, would be settled on the following working day at the contracted rate.
- The gross consideration however, would undergo a change due to change in dirty price accrued interest / coupon.
- The broken period interest in respect of Bonds and Debentures as per SEBI circular is actual /actual. The same principle would be applied for the extension of settlement.
- If the security enters into shut period, on the following working day, on which the settlement would have been otherwise done, it would be left to the market players, to mutually resolve or cancel the contract of sale / purchase.
- If one of the parties to the contract wants to terminate the contract due to long shut period (the shut period for corporate bonds / PSU Bonds is uniformly 15 days) it can do so. Parties to the contract can work out mutually acceptable terms.

7.4.9 Interest Rate Swaps / Forward Rate Agreements

- Where the settlement cannot be done on the start date of the IRS / FRA the contract shall be deemed to have been extended by one day as regards the commencement and termination day, on the same terms and conditions.
- Where the settlement of second leg cannot be performed on due date of the IRS, the contract shall be deemed to have been made for settlement on the following working day on same terms and conditions. Thus, the period of contract of IRS would get extended by such delayed settlement period.

Holiday handling for Interest Rate Swaps would be as follows:

A) Unscheduled Holiday (Known at least on the previous working day)

E.g., RBI strike on 21-Oct-08

- RTGS not available
- Swap and Benchmarks rates not expected to be available.

E.g., Lata Mangeshkar 07-02-2022

Sr. No	Area of Impact	Nature of Impact
1	Trade Date	Such date cannot be a valid trade date
2	Effective Date	Such date cannot be a valid effective date
3	Cash Flow Date	Such date cannot be a valid cash flow date (Cash flows due on such date for existing trades will be shifted to the next Working date)
4	Termination Date	As such date cannot be a valid cash flow date the termination date will be shifted to the next working date.
5	Fixing Date	These will follow directions given by RBI / CCIL
6	Computation of accrued interest	If MIBOR is not published, then for the purpose of computation of accrued interest on MIBOR OIS trades such date is treated like any other holiday (i.e. Simple interest is computed for period covering such a day)

B) Unscheduled Holiday (declared on the same *working day*)

• Floating Benchmark Fixings –

For new trades and resets of existing trades, if a trade is done before the release of benchmark rates (e.g. FBIL Modified MIFOR) and an Unscheduled Holiday is declared, the fixing will be shifted to the next working day.

In the case of MIBOR, if it is not declared and an Unscheduled Holiday is declared, the previous day published rate will be taken as that day's rate.

• Settlement: The settlement of trades, if completed till the declaration of USH, will be valid. Otherwise, the settlement will be shifted to next working date and accordingly the interest computation will also change as per the current practice followed for normal holidays.

Chapter 8

Appendix

8.1 INR-MIOIS:

“MIOIS” means that the rate for a Reset Date will be the FBIL-Mumbai Inter-Bank Overnight Indexed Mid-Market Rate for a period of the Designated Maturity which appears on the FBIL website at <https://www.fbil.org.in> on that business day OR as agreed between the counterparties-

Confirmation to specify:

Floating Rate Option	MIBOR-OIS
Designated Maturity	[]
Spread	+/- []% per annum
Floating Rate Day	Actual / 365 Fixed
Count Fraction	
Reset Dates	The [first / last] day of each Calculation Period
Compounding	Not applicable
Compounding Date	Not applicable
Business Days	Mumbai

8.2 INR-BMK:

“INR-BMK” means that the rate for a Reset Date will be the Indian Government Securities Benchmark rate for a period of the Designated Maturity based on the FBIL par yield curve (annualised rates) as published on the FBIL website for that business day OR as agreed between the counterparties.

8.3 INR-CMT:

“INR-CMT” means that the rate for a Reset Date will be the Indian Constant Maturity Treasury rate for a period of the Designated Maturity which appears on Thomson Reuters Screen on chain 0#INCMTBMK= as of 5:15 PM India Standard Time on the day that is one Mumbai Business Day preceding that Reset Date Or as agreed between the counterparties.

8.4 MIFOR:

“INR-MIFOR” means that the rate for a Reset Date will be the FBIL-Mumbai Inter-Bank Forward Outright Rate (MIFOR) for a period of the Designated Maturity which appears on the FBIL website at <https://www.fbil.org.in> on the day that is two Mumbai Business Days preceding the Reset Date.

Confirmation to specify:

Floating Rate Option	INR-MIFOR
Designated Maturity	[]
Spread	+/- [] % Per annum
Floating Rate Day Count Fraction	Actual / 365 Fixed
Reset Dates	The [first / last] day of each Calculation Period
Compounding	Not applicable
Compounding Date	Not applicable
Business Days for Reset Dates	Mumbai
Business Days for Payments	Mumbai, New York

(withdrawn with effect from 1st July 2023)

8.5 INR-MITOR-OIS-COMPOUND:

“INR-MITOR-OIS-COMPOUND” means the rate for a Reset Date, calculated in accordance with the formula set forth below, will be the rate of return of a daily compound interest investment (it being understood that the reference rate for the calculation of interest is the arithmetic mean of the daily rates of the day-to-day inter-bank INR tomorrow offered rate).

Formula for calculation of the floating rate

“INR-MITOR-OIS-COMPOUND” will be calculated as follows, and the resulting percentage will be rounded in accordance with method set forth in Section 8.1(a) of the 2006 ISDA Definitions, but to the nearest one ten-thousandth of a percentage point (0.0001%)

$$\prod_{i=1}^{do} \left(1 + \frac{R_i \times n_i}{365} \right)^{\frac{36}{5} \times \frac{1}{d}}$$

where:

"do", for any Calculation Period, is the number of Business Days in the relevant Calculation Period;

"i" is a series of whole numbers from one to do, each representing the relevant Business Days in chronological order from, and including, the first Business Day in the relevant Calculation Period;

"ni" is the number of calendar days in the relevant Calculation Period on which the rate is Ri; "d" is the number of calendar days in the relevant Calculation Period; and "Ri", for any Business Day "i" in the relevant Calculation Period is Mumbai Interbank Cash Tom Offered Rate (MITOR) as published on the Thomson Reuters Screen on RIC INRMITORON=RR under Tile MIFOR= as of 9:35 a.m., IST, on that Business Day. If such rate does not appear on the Thomson Reuters Screen on RIC INRMITORON=RR under Tile MIFOR= by 10:00 a.m., ST, on that Business Day then the rate for that Business Day will be the rate as published on that Business Day on FIMMDA's Website Home page under tab "G.SEC & VALUATIONS" under the caption "MITOR Rate" and "Rate Offer" or on such other part of FIMMDA's Website as may be reorganized from time to time (www.fimmda.org).

If the rate is not available on Thomson Reuters RIC INRMITORON=RR, an Alert will be raised by Thomson Reuters by 10:00 a.m. IST to inform about non-publication of the Benchmark and the counterparties will determine the rate as per ISDA Agreement.

The MITOR Benchmark is arrived as per the steps mentioned below:-

Step 1 – Arrive at the Cash Tom Benchmark rates based on contributions received. The final Cash Tom Benchmark is rounded off to two decimals.

Step 2 – Arrive at the Cash Tom Annualized Benchmark rates using the following formula:-

Annualized Cash Tom rate = (Fixing Cash Tom rate*365)/(No. of days* RBI Spot referencerate for USD)
where:

“RBI Spot Reference Rate” means the Reserve Bank of India’s published USD/INR spot rate (expressed as a number of INR per one USD) which appears on the Thomson Reuters Screen on RIC INRFIX=RBIA under page RBIB. The previous day RBI Reference rate is considered for this Benchmark.

“No. of days” means the difference between Today’s date and Cash Tom

Step 3 Maturity date.– Arrive at the MITOR Benchmark rates using the following formula.

MITOR = ((1+ US Fed Fund rate * No. of days/ 36000) * (1+ USD/INR O/N Forwards (in %) * No. of days / 36500)-1) * 36500 / No. of days.

“US Fed Fund rate” means the rate for overnight USD Federal funds which appears on the Thomson Reuters Screen on RIC USONFFE= on that Business Day;

“USD/INR O/N Forwards (in %)” means the Annualised Cash Tom rate as per the formula mentioned above.

“No. of days” means the difference between Today’s date and Cash Tom Maturity date.

Confirmation to specify:

Floating Rate Option	INR-MITOR-OIS-COMPOUND
Designated Maturity	Overnight
Spread	+/- []% per annum
Floating Rate Day	Actual / 365 Fixed

Count Fraction	
Reset Dates	The [first / last] day of each Calculation Period.
Compounding	Inapplicable
Compounding Date	Inapplicable
Business Days	Mumbai, New York

Annexures

Annexure-I

FIMMDA Code of Conduct for transacting in Government Securities using RBI'S "NEGOTIATED DEALING SYSTEM – ORDER MATCHING (NDS-OM)

https://www.fimmda.org/UploadPopupPageFiles/DRC_NDSOM.pdf

Annexure-II

Unified Code of Conduct for Identified Submitters (for Polled benchmarks)

<https://www.fimmda.org/UploadPopupPageFiles/UnifiedCodeofConductforSubmitters.pdf>

Annexure-III

Code of conduct for fair practices

<https://www.fimmda.org/PageContent.aspx?Iid=MTYw>

Annexure-IV

CD Operational Guidelines

https://www.fimmda.org/UploadPopupPageFiles/FIMCIR2023_24_36_FIMMDA_CD_Operational_GuidelinesDated%2029Dec23.pdf

Annexure-V

CP Operational Guidelines

https://www.fimmda.org/UploadPopupPageFiles/FIMCIR2024_25_44_25Mar2025.pdf

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