

November 9, 2010

To All Market Participants

Ready Forward Contracts in Corporate Debt Securities

As part of the measures to develop the corporate bond market, repo transactions were permitted in corporate debt securities vide the Directions issued through the [Notification No IDMD.DOD. 04/11.08.38/ 2009-10 dated January 8, 2010](#).

2. As announced in the Second Quarter Review of the Monetary Policy 2010-11(paragraph 70), the Directions have been reviewed taking into consideration the market feedback and it has been decided as under:

- The repo trades in corporate debt securities are permitted to be settled on T+0 basis in addition to the existing T+1 and T+2 basis under DvP I (gross basis) framework.
- The **minimum haircut**, applicable on the market value of the corporate debt securities prevailing on the date of trade of 1st leg, which was earlier stipulated as 25 per cent, has been revised as under:

Rating	AAA	AA+	AA
Minimum haircut	10 %	12%	15%

The above haircuts are minimum stipulated haircuts where the repo period is overnight or where the remargining frequency (in case of longer tenor repos) is daily. In all other cases, the participants may adopt appropriate higher haircuts.

3. The Directions (Repo in Corporate Debt Securities (Amendment) Directions 2010) issued in this regard vide IDMD.PCD.21/11.08.38/2010-11 dated November 9, 2010 are enclosed. The modifications will be effective from December 1, 2010.

Yours faithfully,

(K K Vohra)
Chief General Manager

**RESERVE BANK OF INDIA
INTERNAL DEBT MANAGEMENT DEPARTMENT
23rd FLOOR CENTRAL OFFICE
FORT MUMBAI 400 001**

Mumbai, November 09, 2010

Repo in Corporate Debt Securities (Amendment) Directions, 2010

In exercise of the powers conferred by Section 45 W of the Reserve Bank of India Act, 1934 and in partial modification of the [notification No IDMD.DOD. 04 /11.08.38/2009-10 dated January 8, 2010](#), the Reserve Bank hereby makes the following amendments in the Repo in Corporate Debt Securities (Reserve Bank) Directions, 2010 dated 8th January 2010 (hereinafter referred to as the said Directions) namely:

2. (i) In Paragraph 8 of the said Directions, for sub paragraph (a) the following shall be substituted:

“(a) All repo trades in corporate debt securities shall settle on a T+0 or T+1 or T+2 basis under DvP I (gross basis) framework “

- (ii) In Paragraph 10 of the said Directions, for sub paragraph (a) the following shall be substituted:

“ (a) A rating based haircut as under (or higher as maybe decided by the participants depending on the term of the repo and the remargining frequency) shall be applicable on the market value of the corporate debt security prevailing on the date of trade of 1st leg.”

Rating	AAA	AA+	AA
Minimum haircut	10 %	12%	15%

3. These Directions may be referred to as the Repo in Corporate Debt Securities (Amendment) Directions 2010 and the modifications made therein shall be effective from December 01, 2010

**(H R Khan)
Executive Director**