



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA

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May 30, 2011

To All RBI regulated entities (Commercial Banks, Co-operative Banks, Primary Dealers, Financial Institutions, RRBs and NBFCs)

Dear Sir/Madam,

Guidelines for Accounting of Repo / Reverse Repo Transactions-Clarification

Please refer to our [circular RBI/2009-2010/356 IDMD/4135/11.08.043/2009-10 dated March 23, 2010](#). The para 7 of the circular under reference states that “to obviate the disputes arising out of repo transactions, the participants should enter into bilateral Master Repo Agreement as per the documentation finalized by Fixed Income Money Market and Derivatives Association of India (FIMMDA)”.

2. We have received queries from market participants whether the Master Repo Agreement finalised by FIMMDA is mandatory for repo transactions in Government Securities settled through CCIL. In this regard, it is clarified that the Master Repo Agreement finalised by FIMMDA is not mandatory for repo transactions in Government Securities settling through a Central Counter Party (CCP) [eg. Clearing Corporation of India Limited (CCIL)], having various safeguards like haircut, MTM price, margin, Multilateral netting, closing out, right to set off, settlement guarantee fund/ collaterals, defaults, risk management and dispute resolution/ arbitration etc. However, Master Repo Agreement is mandatory for repo transactions in Corporate Debt Securities, which is settled bilaterally without involving a CCP.

3. All other terms and conditions of the above mentioned circular will remain unchanged.

Yours faithfully,

(K K Vohra)
Chief General Manager