

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:1593

ANSWERED ON:13.12.2013

TRADING OF BONDS

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**Will the Minister of FINANCE be pleased to state:**

- (a) whether the Government proposes to launch trading of Government bond futures as part of its efforts to deepen/strengthen its financial markets;
- (b) if so, the details thereof;
- (c) whether the Government has finalized the structure of the product, which will allow investors to bet on the direction of interest rates;
- (d) if so, the details in this regard; and
- (e) the time by which a final decision is likely to be taken in the matter?

**Answer**

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a) to (e): As announced in the Second Quarter Review of Monetary Policy 2013-14, it was decided to introduce cash settled Interest Rate Futures (IRF) on 10-year Government of India security / bonds.

The Reserve Bank of India has accordingly issued a Notification IDMD.PCD.07 /ED (RG) - 2013 dated December 5, 2013 thereon. A copy of the Interest Rate Futures (Reserve Bank) Directions, 2013 is placed on the RBI Website.

(c) & (d): As per the guidelines issued by RBI & SEBI, the 10-year cash settled IRF with coupon bearing Government of India security as underlying shall inter-alia satisfy the following requirements:

The underlying shall be a coupon bearing Government of India security of face value Rs. 100 and residual maturity between 9 and 10 years on the expiry of futures contract. The underlying security within these parameters shall be, as decided by stock exchanges in consultation with the Fixed Income Money Market and Derivatives Association (FIMMDA).

(i) The contract shall be cash-settled in Indian rupees.

(ii) The final settlement price shall be arrived at by calculating the weighted average price of the underlying security based on prices during the last two hours of the trading on Negotiated Dealing System-Order Matching (NDS-OM) system. If less than 5 trades are executed in the underlying security during the last two hours of trading, then FIMMDA price shall be used for final settlement.

The detailed guidelines are available at following links:

e) Does not arise in view of the (a) to (d) above.