

Press Statement on Publication of FBIL Market Repos Overnight Rate (FBIL – MROR)

4th December, 2017

In the wake of the LIBOR scandal and the subsequent shrinking volumes in LIBOR, the regulators in different jurisdictions have initiated steps to develop benchmarks on risk free interest rate as an alternative to those currently based on the inter-bank offered rates. The Financial Stability Board (FSB) in its 2014 recommendation to reform the major financial benchmarks included the need to develop nearly risk free benchmark rate (RFRs). This initiative has gained support among the regulators. The Federal Reserve of the US has set up the Alternate Rate Reference Committee (ARRC) to identify, develop and migrate to a near risk free benchmark in the money market. The Working Group set up by Bank of England has announced SONIA as the near risk free reference rate as an alternative to the Pound sterling LIBOR.

In its endeavor for introducing a new benchmark that will provide a near risk free rate for the money market, FBIL has developed the FBIL – Market Repo Overnight Rate (FBIL-MROR), publication of which will start with effect from 12th December, 2017. The Clearing Corporation of India Ltd. (CCIL) will be the Calculating Agent for FBIL - MROR.

FBIL - MROR will be calculated based on the Basket Repo trades executed on the Basket Repo segment on the CROMS Platform of CCIL in the first hour of trading between 9.00 am to 10.00 am. The Basket Repo trades with value of Rs.5.00 crores and above will be used for the calculation of MROR. Minimum of 10 trades with aggregate traded value of Rs.1000 crores will be the threshold criteria for computation of MROR. If the threshold criteria are not met, the timeline for computation of the rate will be extended in two installments of 30 minutes each, i.e., 10.00 AM to 10.30 AM and 10.30 AM to 11.00 AM.

FBIL - MROR will be published on each working day on the websites of FBIL, FIMMDA and CCIL at 10.45 AM and in case of extension of time, as above, the rate will be published by 11.15 AM and 11.45 AM as the case may be. The detailed computation methodology for FBIL - MROR has been placed in the websites of FBIL, FIMMDA and CCIL.

Repo is an instrument for borrowing funds by selling securities of the Central Government or any State Government or any other securities that may be specified by Central Government in this regard, with an agreement to repurchase the same securities on a mutually agreed future date at a mutually agreed price that includes interest for the funds lent. Market repo trades are executed on the CROMS Platform of CCIL.
