


	प्रेस प्रकाशनी PRESS RELEASE
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Introduction of Credit Derivatives in India : Review of Status

It has been decided to keep in abeyance the issuance of the final guidelines on introduction of credit derivatives in India. The decision has been taken so as to be able to draw upon the experience of the financial sector of some of the developed countries, particularly in the current circumstances, in which the entire dimensions of the recent credit market crisis have not yet been gauged.

It may be recalled that the Reserve Bank of India had issued the 'Draft Guidelines for Introduction of Credit Derivatives in India', on March 26, 2003, inviting comments from banks and other stake holders. However, taking into account the status of the risk management practices then prevailing in the banking system, the issuance of final guidelines had been deferred.

Subsequently, it was announced in the Annual Policy Statement for 2007-08 (paragraph 175) that as a part of the gradual process of financial sector liberalisation in India, it was considered appropriate to introduce credit derivatives in a calibrated manner. Modified draft guidelines on Credit Default Swaps were, therefore, issued on May 16, 2007. Based on the feedback received on draft guidelines, these were revised and a second draft of the guidelines was issued, on October 17, 2007, for another round of consultation.

However, in view of certain adverse developments witnessed in different international financial markets, particularly the credit markets, resulting in considerable volatility in the recent past, such as mounting losses suffered by banks on account of sub-prime crisis, need for the central banks of those countries to inject liquidity into the system, as also the level of risk management systems and possible non-adherence to the regulatory guidelines on complex products such as credit derivatives, time is not considered opportune to introduce the credit derivatives in India, for the present.

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