

FINANCIAL BENCHMARKS INDIA PVT LTD

February 3, 2025

Market Consultation Note on**(i) Proposed Methodology for SORR & MIBOR, and (ii) Review of G. Sec Valuation Methodology – Change in Bucket Size in the Long End****(i) Proposed Methodology for SORR & MIBOR**

Reserve Bank of India, in its Statement of Development and Regulatory Policies dated August 5, 2022, had announced the formation of a committee to undertake an in-depth examination of the issues related to Mumbai Interbank Outright Rate (MIBOR), including the need for transition to an alternate benchmark, and suggest the most appropriate way forward.

The recommendations of the committee were placed on the RBI website on October 1, 2024 for market feedback. Subsequently, on December 6, 2024, in its Statement of Development and Regulatory Policies, the Reserve Bank stated that, *“In line with the recommendations and reflective of the current market dynamics, it is proposed to develop a benchmark based on the secured money markets (both basket repo and TREP) – the Secured Overnight Rupee Rate (SORR). Financial Benchmarks India Limited (FBIL) is being requested to take the proposal forward.”* Moreover, the MIBOR Committee recommended a change in the computation methodology of the MIBOR to include transactions executed in the first three hours instead of the first hour of trading.

Accordingly, FBIL has analysed the data and is proposing the enclosed methodology for the computation of MIBOR (using the first three hours of transactions) and SORR.

(ii) Review of G. Sec Valuation Methodology – Change in Bucket Size in the Long End

As part of its operations and in order to ensure that the methodologies in use are robust and adequately reflect their respective underlying interests, FBIL reviews them periodically, usually once in each financial year or more frequently, if necessary.

The reviews take into account their performance, including instances on which fallback provisions were invoked and market feedback obtained. The extant methodology of G. Sec. valuation requires a minor change in the bucket size in the long end, as detailed in the note enclosed.

The proposed methodologies and changes are linked for your kind perusal and feedback. Please click on the link to view the full document.

You are requested to kindly share your views on the above methodology, at **research@fbil.org.in** and **fbilresearch@fbil.org.in** latest by **February 14, 2025**.

MD & CEO

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