

Workshop on Interest Rate Futures for Banks



(L to R): K Unnikrishnan, U Venkataraman, Ashish Ghiya, Tejash Shah, Kumar Dasgupta

A Workshop on Exchange Traded Interest Rate Futures (IRF) for banks was organised by Indian Banks' Association (IBA) and MCX Stock Exchange Limited (MCX-SX) jointly on September 5, 2009 at Hotel Taj President, Mumbai.

The government of India has been taking a series of steps to reform the debt market in the country with the view of improving its transparency, efficiency and accessibility. An IRF is a product which is set for re-introduction. Its operationalisation is facilitated by the report of the Standing Technical Committee on Interest Rate Futures constituted jointly by Reserve Bank of India (RBI), and the Securities and Exchange Board of India (SEBI), released in June 2009. This product will be traded on the currency derivative segment of a recognised stock exchange.

This workshop was held to give a comprehensive insight into the product. The platform provided by IBA and MCX-SX drew eminent speakers from India and abroad who, besides providing an insight on IRF, also shared their thoughts and the experience of developed markets on IRF.

Welcoming the participants, K Unnikrishnan, deputy chief executive of IBA said that interest rate risk affects not only the financial sector, but also the corporate and household sectors. Banks, insurance companies, primary dealers and provident funds bear a major portion of the interest rate risk on account of their exposures to government

securities. IRF provides these entities with a standardised product coupled with transparency, efficiency and accessibility. Globally IRF is widely used by banks and other financial market intermediaries to manage the risks arising out of unprecedented yield curve shifts. He expressed hope that the participants would greatly benefit from this awareness programme on IRF organised jointly by IBA and MCX-SX.

Initiating the proceeding, U Venkataraman, executive director of MCX-SX, provided an Indian perspective on IRF. Ashish Ghiya, managing director of Derivium Capital and Securities Private Limited gave an overview of IRF, as well as on strategies for trading and hedging. Tejash Shah, fixed income specialist of Bloomberg, New York shared the global perspective on IRF and briefly demonstrated the IRF functionalities on the Bloomberg site. Kumar Dasgupta, partner of Pricewaterhouse Coopers, gave a brief presentation on accounting and taxation with respect to IRFs.

Ashutosh Khajuria, head treasury at IDBI Bank Limited, commenting on the workshop said, 'the workshop was very good and the presentations gave a detailed overview of IRF in India as well as in the international markets. An excellent initiative by IBA and MCX-SX!' Jayant Lele, manager - operational risk of HDFC Bank Limited said, 'the workshop was very informative and gave an in depth understanding of IRF.'