

ISDA

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3 August 2006

**Smt. Shyamala Gopinath
Deputy Governor
Reserve Bank of India
Central Office Building
Shahid Bhagat Singh Road
Mumbai-400 001
India**

Dear Smt. Gopinath,

Re: Enactment of Reserve Bank of India (Amendment) Act, 2006

I am writing to you on behalf of the International Swaps and Derivatives Association, Inc. ("ISDA").

As you may be aware, ISDA represents participants in the privately negotiated derivatives industry and is the largest global financial trade association, by number of member firms. ISDA was chartered in 1985, and today has over 725 member institutions from 50 countries on six continents. These members include most of the world's major institutions that deal in privately negotiated derivatives, as well as many of the businesses, governmental entities and other end users that rely on over-the-counter derivatives to manage efficiently the financial market risks inherent in their core economic activities.

As you may recall, ISDA applauded the Finance Minister's 2005 budget speech in which he expressed the need for reforms to enhance the legal & regulatory framework when it comes to the enforceability of OTC derivative contracts and last year also provided to the parliamentary Standing Committee on Finance, comments on the draft Reserve Bank of India (Amendment) Act, 2006.

We are delighted that the Reserve Bank of India (Amendment) Act, 2006 has been enacted and has now come into force with its gazette notification, as also noted in the 22 June press release by the Reserve Bank of India.

ISDA has conducted a helpful dialogue with the Reserve Bank over the last few years on a few different matters and would hope that we will continue to enhance our mutual working

relationship as well as strengthen our co-operation as new issues arise. You may recall that ISDA has previously worked with the Reserve Bank of India ("RBI") in 1999 when the RBI issued guidelines on Forward Rate Agreements (FRAs) and Interest Rate Swaps (IRS). ISDA has also from time to time extended assistance to the Fixed Income Money Markets and Derivatives Association and has amended the ISDA definitions to include a number of INR interest rate definitions.

We are particularly interested in the Reserve Bank's plans to notify the transactions and the conditions, if any, to be complied with, pursuant to the newly inserted Section 45V of the Reserve Bank of India Act, 1934.

Market participants are eager to ascertain the OTC derivative transactions that will now be accorded legal certainty and accordingly enable participants to allocate a lower risk weight to such transactions and thereby reduce the costs of such transactions.

We are hoping that you would be able to provide us with an indication of current plans in this regard and we would like to offer our services in assisting you in reviewing and commenting on the proposals to provide you with feedback on how your suggested approach could impact global market practice.

We look forward to your feedback. In the meantime, if you have any questions in relation to ISDA's activities or if we can be of assistance in any other way, please do not hesitate to contact us.

Yours sincerely,



Angela Papesch
Director of Policy & Head of Asia-Pacific Office

Encl. ISDA Mission

c.c.: Shri V. Leeladhar, Deputy Governor, Reserve Bank of India