



**Speech of Shri. N.S. Venkatesh, FIMMDA Chairman at the 17<sup>TH</sup> FIMMDA –PDAI ANNUAL CONFERENCE**

**April 15, 2016, Hotel Hilton Metropole, London.**

Respected Dy. Governor and our beloved Mentor Khan Sahib, Chairman of PDAI Mr. Prasanna, Eminent Speakers of Panels, Directors of FIMMDA & PDAI, Special Invitees ,Delegates ,Ladies and Gentlemen,

It gives me great pleasure to welcome you all to the 17<sup>th</sup> Annual FIMMDA-PDAI Conference being held in the world's leading financial capital, LONDON. I now wish to apprise you of the association's activities after we met at the last Conference in Prague.

1. **Hand book of market practices:** We have undertaken the revision exercise and the revised edition is going to be unveiled today by the Dy. Governor.
2. **Dispute Resolution Committee:** A new 10 member committee has been constituted and is operating as the DRC from 1<sup>st</sup> October 2015. Between 1<sup>st</sup> April 2015 till 31<sup>st</sup> March 2016, the DRC received about 15 references and settled the claims of loss amounting to Rs7.5 Crores. In case of three off-market deals, there was no reference/claim from the counterparties. However, the counterparties to the off-market deals were identified and advised to be careful in future. We are thankful to RBI for giving us this opportunity. The amount of disputed deals has fallen from Rs16 crores in the previous year to the present level of less than Rs 8 Crores. But I take this opportunity to ask our trading community to be more careful and avoid erroneous trades rather than settling such trades.
3. **Financial Benchmarks India Pvt Ltd:** As informed in the previous Conference, a new company known as FBIL was formed jointly by FIMMDA, FEDAI and IBA to take over the administration of recognized Benchmarks. The Board now comprises of Mrs Usha Thorat former Dy. Governor as the Chairperson, Dr. N. R. Prabhala, Chief Mentor, CAFRAL, Mr. C.E.S Azariah, ex CEO of FIMMDA, present CEOs of FIMMDA, FEDAI Mr. Prasad and Mr. Patwardhan and Dy. Chief Executive of IBA, Mr. Unnikrishnan. An Oversight committee is also put in place with representation from the Central bank, CCIL, representatives from Banks, PDs in addition to 4 directors of FBIL. The company started with the overnight Mibor on 22nd July 2015 and the Term MIBOR from 23<sup>rd</sup> September 2015. Presently, parallel polling is taking place on Forex option Volatility.
4. **Pre policy consultations& Finance Bill:** We hold pre-policy consultations with market participants as well as Directors of FIMMDA to air our views on the market for information of the Regulators. We also submitted our views on the latest Monetary Policy. Good number of our suggestions was accepted by the Regulator in stages and we thank RBI for bringing in the desired changes. We also participated in a meeting convened by Ministry of Finance before finalizing the calendar of issues and gave our views.
5. **Waiver of deal confirmations** for CD, CP, Corp bond repo etc: We, in consultation with CCIL, drafted a multilateral agreement which the Banks, PDs and other market participants can enter into for waiving the physical exchange of Confirmations after reporting the same on CCIL platform. Once the same is approved by the Regulator it will be signed by the market participants.

6. **Daily Valuation of Government Securities:** We held discussions with market participants on the changes that are required for simplifying and automating the procedure to the maximum extent. The suggestions emanated were elaborately discussed at market level and then at the Board level and implemented. Automation of these suggestions is undertaken and we expect to complete the process by May 2016. Ministry of Finance official visited FIMMDA to get apprised of the valuation methodology being followed.
7. **Valuation of Corporate Bonds:**
  - Daily Matrix for Insurance Coys: We continue to publish daily matrix for Corporate Bonds mainly for the purpose of valuation of ULIP portfolio by the insurance Coys. For others, monthly spread matrix for Corporate Bonds is published. The list of submitters for Polling for monthly/fortnightly spread matrix has been revised and the number of contributors has increased to about 20 from a level of about 10 adding greater credence to the matrix. FIMMDA is also looking at finding alternative methodology to make the Corporate valuation more robust and realistic.
  - Fixed spreads for bonds below AA- : We reviewed the process and wef July 2014, we started calculating these fixed spreads on the basis of traded spreads observed during the previous quarter.
  - AT1 bonds raised by Bonds : Trades reported on the Reporting platforms of the Exchanges during the previous month are being used to arrive at fixed spreads for the current month.
8. **Interest Rate Futures:** After success of single Bond cash settled futures, more bonds are added and presently there are seven Bond futures that are being traded on the exchanges.
9. **Training programmes:** During April'15 till 31<sup>st</sup> March 2016, we conducted 12 training programmes benefitting 201 participants from member as well as non-member institutions. In one such training programmes, market players from a neighboring country also participated.
10. **FRB desired spreads-**In line with the responsibilities for benchmark administration; we identified new submitters for Polls for FRB desired spreads wef 1<sup>st</sup> April 2016. We propose to review the polling for FRB spreads shortly.
11. **Role of IPA:** We held discussions with major players (IPAs) and submitted our recommendations on the role of IPAs and streamlining the procedures and practices to be observed by Banks in their role as IPAs. These are still under the consideration of RBI.
12. **Regular Bi-monthly meetings with IDMD/FMRD:** We request RBI to restart the practice of regular/bi-monthly interface with the market participants which resolves many issues and helps RBI to understand the market pulse. IDMD/FMRD departments deal with market infrastructure and public issuances and so interaction with these departments on a regular basis will really go a long way in mutual understandings.
13. **MOU with ICMA:** In order to establish regular dialogue and cooperation and to exchange the experience and expertise gained in the debt capital markets, we formalized a partnership with ICMA by entering into a MOU.

In our sixteen years of existence, we have come a long way and the way forward from here is for the FIMMDA and PDAI members to take up the challenge for developing the Bond and Derivatives Market by availing the infrastructure available, the Synergy and Strength which each member derives by contributing its mite to the greater good of the market and the country. Likewise, Polling for benchmarks where so identified also assumes importance. From Our side, we have broadened the base to impart greater credibility.

The subjects chosen for panel discussions are very topical and current. I request all of you to participate actively in all the panels. The monetary policy frame work constituting the recent changes in the

liquidity format and their ability to transmit rates is a hot topic with the Regulator as well as the markets in general. I hope the panel discussion thrashes out the intricacies. The second panel deals with the Challenges and Opportunities facing the Corporate Bonds including the Masala bonds. An eminent panel consisting of market participants, the CEO of LSE, and moderated by none other than our Dy. Governor will spearhead the discussions .The third panel will dwell on Market Development: Products. The panel consists of large market participants from within and outside India to add the international perspective. I hope with your active participation, we should be able to offer valuable suggestions to the Regulators as well as the market participants.

I once again extend a hearty welcome to you all, and wish that with your active participation in the Conference today and all the Networking Opportunities before, during and after the conference, we will all return to our desks richer in mind, body and spirit.

I wish you all best of times in this wonderful city- LONDON.

Chairman.