



FIMMDA AGM Speech– 30th September 2019

Y.B.Chavan hall, Rangswar, Mumbai 400 021.

Good afternoon ladies and gentlemen,

On behalf of the Board of Directors of FIMMDA and on my own behalf, I extend a warm welcome to all of you at the 21st Annual General Meeting of our association. The Directors report for the year 2018-19, and the related profit & loss statement and balance sheet were sent to the members, and with your consent, I shall take them as read.

“May you live in interesting times” is purported to be the English translation of a Chinese curse; as far as events are concerned, the last one year or thereabouts has been very interesting, whether it was a curse or a boon, of course, is up for debate!

The macro environment and the outlook between the last Chairman’s speech and mine could not have been more different. 8.2% GDP is now 5%, RBI policy was on a hiking cycle, and we are now well entrenched in an easing cycle. The market was pricing 1 hike for certain, with probability for 2 hikes. We are of course now talking about 1 or more cuts. And what a cut means also has changed, from the orthodoxy of 25 bps, to the last cut of 35 bps to some participants expecting 40 bps! We also have a different Governor at the helm at RBI and a different Finance minister. And it is not just India; the entire global outlook has changed significantly. In the US, from debates about whether the terminal rate should be 3 or 3.5%, we are now looking at an easing cycle, with the executive there pushing for zero rates! Modern Monetary Theory (MMT) was a curiosity last year, now of course it is practically mainstream (Google searches on MMT have gone up 10 times)! As the old adage goes, Change is the only constant!

The markets have been no different. We have seen both 8.2% and 6.3% on the 10-year benchmark; we have seen 2.6% and 1.4% on US 10 year T. USD/INR is still around 71, but what a path it has taken to be back where it is! Market dislocations (or was it the market freezing) from the NBFC related issues, dislocations in money markets from the esoteric Cash/Tom markets, the RBI B/S swaps first converging the OIS-MIF spread and then diverging the spread. An asset which was supposed to be free from the Fiat system, Bitcoin, simultaneously made an all time high and was in a bear market in a 2 week period! US Repo markets showed some dislocations 10 days back, affecting SOFR fixing, which is the successor to LIBOR!

And in the midst of all this, a plethora of initiatives/ reforms/ new guidelines from RBI/ Government! Opening up the OIS market to non-residents has increased client volumes four-fold. Money Market Futures and Bond Options have been launched by exchanges, although, not very successful so far. Netting, something the industry has been promoting for years, is now coming close to be introduced in legislature. Clearing G-Sec on Clearstream is now WIP, and of course the Government is now keen on going ahead to be part of Global Bond Indices. We are debating extending market timing, liquidity framework, onshoring offshore markets among other things and RBI is at the forefront of this. The Government is keen on the development of capital markets and CDS and has interacted with market participants to set the plumbing right for the markets to take off!

At our Annual Conference at Moscow on 1st September I elaborated on the developments in the market as well as the activities undertaken by FIMMDA till 31st August 2019.

September was a busy month for the markets as well as for FIMMDA. During September, we interacted with the RBI for the pre policy review. RBI also interacted with the market participants briefly in mid September 2019. The Ministry of Finance has also reached out to FIMMDA for the development of Corporate Bond markets. These are of course in addition to the large reforms that Finance Minister has been announcing periodically.

I also spoke about the challenges that are likely to come up for the market, ranging from the new accounting norms, new trading book and banking book regulations, margining frameworks, the LIBOR transition, interest rate options market etc. I started with the Chinese proverb, it s only appropriate that we take inspiration from Chinese, for whom Opportunity and Challenge are two sides of a coin! In this spirit I would like to lay out some of the areas that FIMMDA will focus on in the immediate future:

1. Interest rate options: identifying underlying and other market conventions etc.
2. Actively engaging with the market on LIBOR reforms and the future of MIFOR swap
3. Take up Revision of Operational Guidelines on Certificates of Deposit.
4. Take up Revision of handbook of market practices of April 2016 version.
5. Formalize Security level valuations for Corporate Bonds.

FIMMDA will of course be taking up all other relevant matters for the industry and make the voice of industry heard in RBI, Ministry and other forums.

FIMMDA extensively interacts with and depends up on a number of institutions who are crucial to the functioning of the market. I would like to take this opportunity to thank every one of them for keeping the market safe and sound through these exciting times.

I thank the Ministry of Finance for talking to the association on all important matters.

I thank all the Senior executives and officers of RBI with whom FIMMDA worked closely for the betterment of the markets we represent. We thank the Senior officials of SEBI, IRDA, PFRDA for consulting the association on matters of importance.

I am thankful to CAFRAL, IIBF, Dun & Bradstreet for their role in providing knowledge, training and insights for our members.

My sincere thanks to CCIL and CDSIL for their help and assistance in interactions with our members and successfully running NDS-OM /Call platforms for our members.

My sincere thanks to the service providers M/S Refinitiv M/S Bloomberg, M/S Cogenisis with whose help our member institutions function on a day to day basis.

I am thankful to our sister associations FEDAI, AMFI and IBA who are associated with our activities. I would like to thank and appreciate the services rendered by my esteemed colleagues on the Board and all employees of FIMMDA Secretariat for the efforts put in by them in keeping the association strong and responsive to the needs of the markets and its participants.

Finally, I request all the FIMMDA members to actively participate in the activities to enrich each other and to take FIMMDA to greater heights.

Wish you all the best till we meet next time. Thanks for listening.

Regards,

B. Prasanna.

Chairman.