

21st FIMMDA-PDAI ANNUAL CONFERENCE (VIRTUAL)

31st AUGUST 2021 4.00 PM

Chairman's speech

Honourable Governor, Reserve Bank of India Shri Shaktikanta Das, Deputy Governors of RBI, other senior functionaries of RBI, members of FIMMDA and PDAI, members of other esteemed institutions, associations, partners, distinguished guests, ladies and gentlemen.

It is my proud privilege to welcome you all to this 21st FIMMDA PDAI Annual Conference being conducted through virtual mode.

At the outset, on behalf of all of us assembled here, I would like to pay homage to and acknowledge the sacrifices of all COVID warriors in general and members of the BFSI fraternity in particular, who have ensured against all odds to keep the wheels of the economy running but unfortunately succumbed to the dreaded virus.

While the pandemic has restricted our movement and led to imposition of social distancing on us, it is our firm belief that the pandemic should not deter us from continuing our connect with each other and amongst various stakeholders of the market.

In this background, the 21st FIMMDA-PDAI Annual Conference has been arranged in virtual mode to bring mutual dialogue back to centre stage. In this connection, I am reminded of the conferences held by FIMMDA in the past, at various financial centres across the globe bringing domestic and global dignitaries, on a single stage. The setting and location may have changed from physical to virtual, but the spirit of conference, I am sure, remains as vibrant as ever.

This is borne out by the enthusiastic response seen in terms of registrations for today's event.

Historically, FIMMDA PDAI annual conferences are an endeavour towards networking with other market bodies and regulators across the globe and exchanging views on topics of relevance / concerns etc. It is pertinent to mention here that the important objective has always been the sustained development of financial markets across the globe in general and India in particular.

There is no doubt that the outbreak of the pandemic has impeded our growth momentum. But as the second wave of the pandemic ebbs, there is optimism in the air and with actions of Reserve Bank of India and that of the Government aimed at alleviating distress and prioritising growth, we are sanguine that the economy will quickly bounce back to atleast the pre pandemic levels on various growth indicators.

With this perspective of optimism, I am sure you would agree, that this would be an appropriate time to elicit guidance, from all the key stakeholders more importantly of the Regulators on the way forward.

Thus, the theme of today's conference has been chosen as

“Indian Financial Markets-Post Covid Era”

This also reflects our collective belief in the maxim:

When the going gets tough, the tough get going.

FIMMDA as a market body profusely thanks RBI for announcing various measures to mitigate the impact of the pandemic and the resultant lockdowns on the markets. These measures, both conventional and non-conventional have contributed to ensuring stability in the markets even during the trying times we are passing through. Market players too have responded well, ensuring volumes are not affected, despite curtailed market timings.

Let me now briefly dwell upon FIMMDA and its activities in the Indian Financial Debt Markets.

FIMMDA as a market body has been functioning for more than 23 years in the development of debt market, introducing new financial products, enhancing skill development of market participants and also acting as an effective and proactive interface with the regulators and thus requires no specific introduction to you all. While FIMMDA has a rich and glorious past of contributing to development of the debt markets in India, I would focus on giving an insight into the key activities which FIMMDA is pursuing and propose to take up in the near future. Through this, I would also like to reiterate to the regulators and to the market participants that FIMMDA is committed to contribute, constructively and proactively for the development and orderly conduct of debt markets.

New Products:

A New Product Committee of the Board has been entrusted with devising guidelines within the ambit of relevant regulatory instructions / documentation

for new products / bring in required changes in the existing products / analyse ways and means to develop markets for hitherto non liquid products after discussing with market participants.

We have immense pleasure in advising that on 17th August 2021, new product "SWAPTION" has been rolled out. FIMMDA had issued necessary operational guidelines covering standard processes and conventions. With this, India has joined select markets offering nonlinear derivative products in rates. It is a proud moment for all of us. We sincerely thank officials from RBI for their support and guidance in rolling out the product. We also thank officials from CCIL and FBIL for their support. The first day itself saw trades in SWAPTION aggregating Rs. 700 crore in volume. We expect volumes to pick up in the coming months as more and more banks are now putting systems and procedures in place.

Activation of existing products:

In addition to working towards development of new products, FIMMDA also works closely with the regulators for popularising existing products in the market, which have not taken off to the desired level.

In this context it may be pertinent to mention that Credit Default Swaps (CDS) which were introduced in the year 2011 did not gain much traction. RBI has revisited this product and issued draft guidelines. FIMMDA has provided suggestions / feedback after extensive consultations with market participants. We are very confident, that the revised CDS product would be more robust and popular enabling effective adoption by the market. We thank RBI for its continuous engagement with FIMMDA and also for the opportunities provided to bring out suggestions and concerns on behalf of market participants. Once the final guidelines are issued, FIMMDA will take up suitable steps to establish standard conventions, processes and documentation necessary for smooth development of CDS market.

Technical Committee for Market Practices- The formation of this committee of the Board has been with the objective of addressing the requirement of revision of market practices or emerging of new practices in tune with best global practices. This committee is very active in deliberating on emerging needs of the market and also smoothen any challenges that may arise from time to time.

FIMMDA has also constituted a Dispute Resolution Committee for NDS-OM trades as per the guidance of regulator. DRC established set of guidelines to ensure smooth and quick resolution of disputes related to erroneous trades on NDS OM. The committee is an independent body and examines the dispute and takes suitable decisions, as warranted by the merits of the case. The existence of

DRC makes traders record their bid / offer as per market practice and eliminates scope of intended / unintended off market trade distortions ensuring smooth conduct of market.

Regulation Review

RBI with a view to streamlining /rationalising regulations and compliance procedures has set up Regulation Review Authority, again after the first round a decade ago.

FIMMDA as a responsible market body submitted comprehensive feedback and suggestions to the RRA Advisory Group covering various guidelines / compliance procedures which needed a revisit with appropriate rationale. We thank RBI for the opportunity.

Valuation of Securities:

FIMMDA has been historically providing daily spread and yield matrices for Corporate Bond valuation, for the benefit of market participants. In response to a demand for publication of Security Level Valuation, FIMMDA has developed a New Security Level Valuation Methodology for plain vanilla Corporate Bonds and placed the same in public domain on our website inviting comments from market participants. This is aimed at providing Security Level Valuation for around 4,000 bonds on a daily basis. We plan to publish Security Level Valuations soon after closure of feedback window and duly evaluating the feedback received.

Development of Markets:

FIMMDA is also a member of various Committees which work on development of best practices standardisation of guidelines which also contribute towards development of debt markets.

It is pertinent to mention here that FIMMDA is a part of the Committee recently formed by the Central Government for deliberating on Uniform Valuation methodology for Corporate Bonds. FIMMDA has actively contributed to the deliberations in these meetings.

Similarly, FIMMDA along with other market bodies, is actively collaborating with IBA contributing towards smooth transition from LIBOR to Alternative Reference Rate (ARR).

FIMMDA also acts as calculating agent for G-Secs and SDLs daily valuation and is also contributing on an ongoing basis towards development/refinement of respective methodologies by FBIL.

Skill Development: The development of financial market with attendant complexities warrant that market participants are well aware of the risks and the means available to mitigate operational risk in undertaking financial deals / contracts. With this end in view, FIMMDA conducts training programmes for skill development. A committee of the Board has been constituted to deliberate and decide upon the various topics of relevance for appropriate Training modules.

In keeping with the times, we have transitioned to virtual mode of training and have been conducting training programs uninterrupted during these times as well. We already have two established courses one covering fixed income markets with Bond Mathematics and the other on Fixed Income Derivatives, in partnership with our knowledge partner Dun & Bradstreet. We are discussing with other partners to enlarge the bouquet of programmes. To evaluate the extent of skill enhancement we have introduced "Exit Test" based certification of successful completion. This evokes healthy competition among participants and the urge to be involved in the programmes more diligently.

Widening the Horizon-While we have presently under our fold 114 members constituting Banks, PDs, Insurance Companies, and FIs, we need to expand our membership so that a wider cross section of the debt market participants is under one umbrella and exchange of views by a cross section representing majority of the debt market segment players contributes positively towards the development and deepening of the Debt Market Segment. For this purpose, FIMMDA has a subcommittee from the Board of Directors to deliberate upon and examine various facets of membership eligibility.

The above are a few of the initiatives which FIMMDA has launched and pursuing towards fulfilling the objectives of the Association.

Before I conclude, I have one request to be placed before the Regulator that FIMMDA be accorded the status of an SRO to enable it to discharge its role towards orderly conduct of market and also effectively function as a bridge between the Regulator and the Markets, under principle-based regulation model. We thank RBI and other regulators for their continuous support and we will continue to work hand in hand with other Market Bodies.

With these words, and as we all are eagerly waiting for the keynote address by

the Chief Guest, I conclude by welcoming the august invitees once again to this Conference. Wishing you all well.

Before I invite the Honourable Governor to address the gathering, it is my privilege to introduce Shri Shaktikanta Das.

Shri Shaktikanta Das, the 25th Governor of Reserve Bank of India, has been a career civil servant with 40 years of distinguished service, primarily in the areas of finance, taxation, investment and infrastructure. He has made rich contributions in areas of Govt. Policy, Central Banking and Capital markets. He has also represented India in several international fora like the IMF, G20, BRICS and SAARC. Prior to becoming Governor, he was member, XV Finance Commission.

As Governor, Reserve Bank of India, he has spearheaded a series of measures taken by the Reserve Bank to support growth and strengthen financial stability in the country. Since the onset of COVID-19 pandemic, he has steered the Reserve Bank's response through several conventional, unconventional and innovative policy measures spanning monetary policy, liquidity conditions and regulatory policies to preserve financial stability while mitigating the adverse effects of the pandemic on the economy. These measures have facilitated a quick turnaround of economic activity in the country.