

FIMMDA ANNUAL DINNER

05th September 2022

CHAIRMAN SPEECH

Honourable Governor, Reserve Bank of India Shri Shaktikanta Das, other senior functionaries from RBI, guests from other esteemed Institutions, Associations, Partners, Members, Distinguished Guests, Ladies and Gentlemen.

At the outset, let me convey my greetings on the proud landmark of our country having crossed 75 years of Independence.

It is my privilege to welcome you all to this FIMMDA Annual Dinner being conducted this year in physical form after a gap of 3 years. Today's event marks FIMMDA's first event in physical mode post pandemic and I am elated to welcome the august gathering to this event.

While the pandemic restricted our movement and imposed social distancing on us, it did not deter us from continuing our connect with each other. The connect amongst various stakeholders of the market through events / conference happened through virtual mode.

Historically, FIMMDA annual dinners are an endeavour towards networking with other Market bodies and Regulators and exchanging views on topics of relevance. It is pertinent to mention here that the important objective has always been the sustained development of domestic Financial Markets.

There is no doubt that the outbreak of the pandemic has impacted our growth momentum. Just as we were recovering from the aftereffects of the pandemic and economy was recovering with high frequency indicators inching back to pre-pandemic levels, global economy was confronted with

geopolitical tensions resulting in slowing of demand, increase in oil prices leading to a surge in inflation globally. India too was affected by these geopolitical developments and its fall out. The Government and RBI have jointly taken steps which enabled the economy to be resilient. It is felt that the current phase of increase in inflation is largely due to external factors, positioning it as transitory and RBI as we know is taking all measures to firmly anchor inflation.

This evening, we are privileged to have with us Governor, Reserve Bank of India, Shri Shaktikanta Das and I am sure Governor will touch upon various aspects of global and Indian economy and the way forward in his keynote address today.

FIMMDA as a Market body profusely thanks the RBI for announcing various measures to mitigate the impact of the pandemic and subsequently to moderate inflation without compromising on growth. The measures, both conventional and non-conventional have contributed to the financial stability even during these trying times we are passing through.

Let me now delve briefly into FIMMDA's activities in the Indian Financial Debt Markets.

FIMMDA as a voluntary market body has been functioning for more than 25 years in the development of debt markets, 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 proposes to take up in 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 in 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. Over the last 18 months operational and product guidelines were issued covering Swaptions and new features added to CDs (CD Buy Back & Floating Rate CDs).

Activation of existing products –

FIMMDA in addition to working towards development of new products 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 the Credit Default Swaps (CDS) product which was introduced in 2011 did not gain much traction. RBI has revisited this product and issued fresh guidelines on the 10th of February 2022. We thank RBI for reposing faith in FIMMDA and entrusting the responsibility of preparing standard conventions, documents, formation of Determination Committee and rolling out CDS based on the new guidelines issued on 10th February 2022. Market conventions and other operational aspects are in final stages of finalisation and the product will be rolled out shortly.

We are also working closely with RBI, CoBoSAC and other organisations for deepening the Corporate Bond market. Issues such as improving the

quality of trade data, valuation methodology and coaxing the market participants to move towards trades on the RFQ platform are being done from our side.

Technical Committee for Market Practices- The formation of this Committee of the Board is with an objective to address the requirement of revision of Market Practices or emerging of new practices in tune with best global practices. This Committee actively deliberates on emerging needs of the market and also comes out with guidelines to smoothen any challenges that may arise from time to time. Handbook of Market Practices published by FIMMDA has been acknowledged to be very useful by market participants in daily operational matters. The document is currently being updated and will be finalised in consultation with RBI.

FIMMDA has also constituted a Dispute Resolution Committee for NDS OM trades as per the guidance of Regulator. Dispute Resolution Committee has established a 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 disputes 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 the scope of intended / unintended off market trade distortions ensuring smooth conduct of market.

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 (SLV) 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 Valuations for around 4,000 bonds on a daily basis. We plan to publish on firm basis security level valuations soon after closure of feedback window duly evaluating the feedback and after discussion with market participants.

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 the debt Market. Similarly, FIMMDA alongwith other market bodies, is actively collaborating with IBA contributing towards all aspects of financial market development.

With the formation of FBIL, FIMMDA now acts as calculating agent for daily valuation of G-Secs and SDLs and is also contributing on an ongoing basis towards development / refinement of respective methodologies by FBIL. Prior to the formation of FBIL, FIMMDA was both the benchmark administrator and calculating agent for a varied number of benchmarks which are now being published by FBIL.

Skill Development - The development of financial markets with attendant complexities warrants that market participants be well aware of the risks and means to mitigate the same. With a view to ensuring this, FIMMDA also imparts training programmes for skill development. A committee of the Board constituted for this purpose deliberates and decides upon various topics of relevance for the training modules.

Since pandemic times we have transitioned to virtual mode and have been conducting training programs uninterrupted. 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. We are in discussions to enlarge the bouquet

of programmes being currently offered. To evaluate the extent of skill enhancement, we have introduced "Exit Test" based certification of successful completion. This evokes healthy competition among participants and also the urge to be involved in the programmes.

Widening the Horizon- Presently we have 114 members constituting Banks, PDs, Insurance Companies and FIs. There is a felt need to expand our membership so that it caters to a wider cross section of the debt market participants. This would facilitate exchange of views by the members representing majority of the debt market segment players and would contribute positively towards the development and deepening of the debt markets. For this purpose, FIMMDA has a subcommittee from the Board of Directors to deliberate and examine upon the 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 would request the Regulator that FIMMDA be accorded the status of an SRO to enable it to discharge its role towards orderly conduct of markets and also effectively function as a bridge between the Regulator and the Markets, under principle based regulation model. The status of SRO would also entrust with FIMMDA the empowered role of ensuring orderly conduct of members in Fixed income and Derivatives market.

We thank RBI and other regulators for their continuous support and we will continue to work hand in hand with other Market Bodies to contribute towards developing a sound and matured Indian Financial Debt Market.

With these words, and as we are all eagerly waiting for the keynote address of the Chief Guest, I conclude by welcoming the august invitees once again to this Conference. Wishing you all a happy festive season ahead.