

FIMMDA 24th AGM – Chairman’s Speech

Good afternoon ladies and gentlemen.

On behalf of the Board of Directors of FIMMDA and myself, I extend a warm welcome to all of you to the 24th Annual General Meeting of your Company.

I congratulate and convey my greetings also of the proud landmark of our country having crossed 75 years of Independence.

The Directors Report for the year 2021-22, and the related financial statements and auditors’ reports have already been sent to the members along with the notice for the AGM.

Coming to the state of the economies across the world, Indian economy is still passing through a difficult spell. The continuing war in Europe and the pandemic have resulted in uncertainty in the macroeconomic outlook for global economies. Countries including Advanced Economies are facing unexpectedly high inflation. Central Banks across the globe are tightening monetary policy to moderate inflation. Unable to rein in consumer inflation, ECB resorted to increase Policy Repo rate by 75 bps on 8th September 2022 after 2 increases of 25 bps each in June and July 2022 bringing up the rate from the pre-pandemic zero interest rate regime. FOMC meeting scheduled for 20th and 21st of September 2022 is expected to hike rates by 75 bps with probability of further rate hikes in the coming months. Commodity prices though moderated remain elevated. Overall, the situation is still grim with war in Europe aggravating the situation.

In such a situation, Indian economy, though impacted, has shown signs of resilience and remains comparatively better

placed due to its strong macroeconomic fundamentals. On the domestic economic front, RBI has retained its projection of real GDP growth at 7.2% for 2022-23. CPI touched a high of 7.79% in April 2022 and has moderated thereafter. The number which was released yesterday evening for August 2022 came in at 7%, a tad higher compared to the previous month's 6.71%.

The next bimonthly policy is scheduled during 28th-30th September 2022 and we already have the August CPI print. CPI numbers are above the RBI upper band of 6%. MPC would be looking to bring down the CPI number below 6% without hampering growth. We may expect rate hikes in the coming months.

Since the onset of the pandemic RBI has maintained ample surplus liquidity in the system to support economic recovery. As the economy has shown signs of recovery, RBI indicated normalization of the surplus liquidity in a calibrated and non-disruptive manner. The net durable surplus liquidity has come down to Rs. 415,000 crore as on 26th August 2022.

Governor RBI at a recent event organized by FIMMDA made a mention of the "Reforms in Regulatory Framework and Financial Markets". It was heartening to note that the recent reform measures have facilitated greater linkages of the domestic markets with global markets despite uncertain and trying times. While market participants and market bodies have been indicated as 'Reform Partners' Governor has also touched upon RBI's expectations from market participants / market bodies to take the reforms forward.

I therefore urge upon all our members to contribute towards success of the reforms initiated by RBI. I echo the words of Governor at the FIMMDA event

"Together we should remain future ready at all times".

Now let me touch upon the activities of FIMMDA during the FY 2021-22.

Some of the highlights are:

1) Dispute Resolution Committee (DRC): In order to ensure smooth conduct of trading on NDS-OM, FIMMDA has a functioning Dispute Resolution Committee and during April 2021 to March 2022, 8 disputes were settled and an amount of Rs.1.78 crore of gain or loss were resolved.

2) Pre-policy consultations & interaction with RBI and DEA, GOI: As is the practice, RBI holds pre-policy consultations with FIMMDA to know the views of market participants. Many of our suggestions have been accepted and has formed part of monetary policies.

3) Development of Financial Markets: FIMMDA is actively represented by the CEO on key committees at the national level such as CoBoSAC constituted by SEBI, Pension Advisory Committee by PFRDA, Committee for Uniform Valuation for Corporate Bonds, MoF, CII National Committee on Financial Markets. FIMMDA is also a part of committees of various Educational Institutions engaged in skill building for Financial Markets e.g., NISM, IIBF, NAL.

4) New Product Committee / Technical committee for Market practices – New Product Committee and Technical Committee for Market Practices of FIMMDA have had various meetings and are in the process of rolling out CDS based on RBI's guidelines issued on 10th February 2022 in which RBI has entrusted FIMMDA with the role of devising Standard Documents / Credit Derivative Determination Committee / Standard Conventions for Product guidelines etc. The New Products Committee had discussions with the market participants regarding devising operational guidelines on various Interest Rate Derivative products.

The Technical committee for Market Practices has actively contributed from time to time, in publication of Operational guidelines, in tune with RBI guidelines.

We thank the regulators and all members for their continued inputs and support.

5) Interest Rate Options at Exchanges: FIMMDA permitted two single bond options in exchanges.

6) Interest Rate Futures: FIMMDA permitted four new single bond IRFs during the year.

7) RBI Draft Guidelines and Market Feedback: During the year, Your Company, as a representative market body, has provided to RBI, feedback and market participants' views on various regulations issued and proposed to be issued.

8) Training programmes: FIMMDA has been holding training programmes regularly even during the lockdown period. Since pandemic and imposition of restrictions on movement, we were holding the training programmes through webinars, keeping in view the prevailing situation as well as the preference of people for online learning.

Your Company publishes a quarterly calendar of programmes facilitating planning of training needs by member institutions.

FIMMDA's two training modules Basics of Bond Mathematics and Fixed Income Derivatives Programme have received good response. Customised programmes for meeting the specific needs of institutions are on the anvil. Discussions are on with a few institutions. During the financial year ended 31st March 2022, FIMMDA conducted 15 online training programmes benefitting a total of 204 participants from member as well as non-member institutions.

9) FIMMDA conducted an 'Annual Dinner' meet on the 5th of September 2022 – the first one in physical mode since the outbreak of COVID. Governor RBI was the keynote speaker. I have referred to some portions of his speech in the earlier part of my speech. Apart from officials from RBI, dignitaries from other organizations were present at the event. The event was widely covered in the print and electronic media the next day.

10) FIMMDA is in the process of purchasing a property for office space. A property situated in BKC, Mumbai has been identified and a portion of the purchase cost has also been paid to the seller as an advance. Certain past property tax related matters are being sorted out after which final documentation will be done. The means for acquisition of the property is proposed to be done through deployment of own resources (77%) and balance through Bank finance. With acquisition of the said property, FIMMDA will have a property of its own and will be able to extend better infrastructural facilities for training programmes and holding meetings with market participants in future.

The Way Forward:

1. FIMMDA will continue to work with the Regulators and Ministry of Finance to find ways and means of deepening the markets for Interest rates and Derivatives markets and will encourage ways to bring transparency and depth in the derivatives and in improving activity in the corporate bonds market.

2. FIMMDA would continue to have a continuous dialogue with the Regulator and work towards accreditation as an SRO.

3. On the Learning & Development front the following initiatives are proposed to be undertaken in the coming days:

a) Introduction of customised / shorter duration courses for senior executives covering areas of Risk Management, Risk Control and Compliance.

b) Designing customised training courses to suit the specific requirements of entities like Banks, AFIs, Cooperative Banks, Regional Rural Banks, NBFCs etc.

4. FIMMDA will continue to make the website more user friendly and disseminate more data which will be useful for the market participants. To this end FIMMDA has identified a partner and work on the revamping our website has commenced.

5. FIMMDA and FBIL would be working jointly towards bringing forward new Benchmarks.

6. Revising / revisiting documents / Policies / procedures / handbook of market practices / code of conduct etc., where FIMMDA guidelines etc., are in force periodically with a sunset clause wherever required.

7. Widening Horizons: Networking with global peers such as ISDA, ICMA & ASIFMA for development of Indian Financial Markets.

8. FIMMDA is working closely with other industry bodies viz., FEDAI, IBA etc., and is contributing to market development on an ongoing basis.

I express my sincere thanks to RBI for their continued support and guidance in FIMMDA discharging its designated role in smooth conduct and development of the markets. I also thank SEBI, for their continued guidance.

I am thankful to FEDAI, PDAI, AMFI and IBA who are associated with our activities.

I would like to thank and appreciate the services rendered by my colleagues on the Board, CEO and Team FIMMDA for the efforts put in by them in keeping the Association strong and responsive to the needs of the market participants.

Last but not the least, I request FIMMDA members to actively participate in all the deliberations so as to exchange ideas and enrich each other and take FIMMDA to greater heights.

Wishing you all a great time ahead.

Thank you.

(S V Sastry)
Chairman