**Draft speech of Chairman, FIMMDA at the 19TH FIMMDA –PDAI ANNUAL CONFERNCE**

**April 30, 2018, Hotel Crown Plaza, New York**

Respected Panelists, Speakers, Directors of FIMMDA & PDAI, Special Invitees, Delegates, Ladies and Gentlemen,

On behalf of the directors of FIMMDA, I am pleased to welcome you all to the 19th Annual FIMMDA-PDAI Conference being held in New York, the Global commercial capital of the World and possibly the city that best symbolises the American Dream. Before I start, I would like to acknowledge the importance of this city where we stand today. New York is among the top global financial centers and this city’s most important aspect lies in its role as the headquarters of US financial Industry - Wall Street. In the *2017 Global Financial Centres Index*, New York City was ranked as having the second most competitive financial center in the world after London. Apart from this, it is also a major centre for retailing, world trade, transportation, tourism, real estate, new media, traditional media, advertising, legal services, accountancy, insurance, theater, fashion, and the arts in the United States.

We extend our warm welcome to Mr. G. Mahalingam, Whole Time Member of SEBI to the Conference. We also extend our greetings and a warm welcome to the various panelists from New York, Washington and from India, to the delegates and the invitees.

**Global Developments**

Since our last conference, a lot has changed globally with US raising interest rates and other central banks also moving, at least verbally, towards the rate hike path. Global growth has clearly seen a positive turn and the recovery is expected to continue. There have also been some risks arising from the trade tariff related developments, geopolitical tensions related to Syria, the high global debt accumulation ($164 trillion as per IMF), and the continuing Brexit negotiations. While these pose medium term risks, world trade has grown strongly in recent months, supported by a pickup in investment, particularly among advanced economies, and increased manufacturing output in Asia. IMF has raised the global growth forecast for 2018 to 3.9% from previous estimate of 3.7%.

**Domestic Developments**

India has seen a recovery in second half of this fiscal year after having being hit in the first half by the short term effects of structural reforms like GST. Even with the slowdown in 2017, recent data suggests that the GDP has grown by an average of 6.4% in the first three quarters of FY17-18. Services sector continued to show a stable rate of growth. Moreover, some improvements on the industry sector emanated from a steady rise in utilities and a revival in manufacturing activity. IMF estimates that Indian economy would grow by 7.8 per cent in 2019, which would make the country the world’s fastest-growing economy in 2019.

After the last time we met in Sydney in April 2017, FIMMDA undertook many activities and I wish to place before you the important ones.

1. **Dispute Resolution Committee:** A new 14 member committee has been constituted and is operating as the DRC from 1st October 2017. Between 1st April 2017 till 31st March 2018, the DRC received about 21 references and reversed erroneous/off-market deals. The amount of loss averted was Rs3.22 Crores. I thank the DRC members for their excellent contribution. But we, as a community should be more diligent in our affairs and avoid erroneous trades rather than attempting to resolve the same. In the proposed new NDS-OM, the dealer will not be able to override the internal filter set by the HOT. This should definitely reduce the number of DRC cases. The DRC rules will be also revised taking into account these changes.
2. **Pre policy consultations & interaction with RBI and DEA, GOI:** As is the practice, RBI held pre-policy consultations with FIMMDA to know our views on the market and our asks. DEA, GOI also interacted with FIMMDA Chairman and other officials from PDAI before the announcement of the half yearly calendar of issuances. Many of our suggestions were accepted. The issuance calendar announcement was well received by the markets.
3. **Interest Rate Futures:**  After success of single Bond cash settled futures, more bonds have been added and presently there are 9 Bond futures that are being traded on the exchanges.
4. **Interest rate Options:** Further to the announcement of interest rate options in January 2017, we held various meetings with market participants and submitted our suggestions. RBI also held meetings with our members in February ’18 to know their views/suggestions for market development. We submitted views of the market. As a follow up measure, RBI announced permission for Swaptions. We have held a meeting with the market participants for more details on the product line.
5. **Operational guidelines on Commercial paper**: RBI announced master Directions on Commercial paper in August 2017 and authorised FIMMDA to draft operational guidelines. After a series of meetings with all stake holders, we issued the operational guidelines in October 2017.
6. **Operational guidelines on Certificates of deposits**: We are also revising our operational guidelines on Certificates of Deposits and circulated draft guidelines to the members for their views/suggestions. We will shortly finalise these guidelines and circulate to the market.
7. **Financial Benchmarks India Pvt Ltd**: FBIL added more benchmarks during the course of this financial year by publishing CD, T-Bill, and Overnight market Repo rate. FBIL now has a full time CEO since July 2017 and more staff.
8. **FIMMDA-Thomson Reuters rates:** Reuters announced cessation of MIFOR, MIOIS, MIOCS, T-Bills and CP curves wef 2nd April 2018.They have also announced cessation of INBMK, CD curve rates wef the same date. Meanwhile, FBIL started working on MIFOR and MIBOR OIS rates on the basis of traded transactions reported to CCIL and published the new reference rates wef 2nd April 2018. FIMMDA facilitated the shift from the old reference rates to the New FBIL MIFOR, FBIL MIBOR OIS rates through a multilateral amendment agreement (MLA) document drafted by M/S Juris Corp. The transition to these new rates was very smooth and as per information recorded with CCIL, all the institutions who have outstanding trades in MIFOR, MIOIS and INBMK signed the MLA.

CP Curve: FBIL tried for publication of CP rates on the basis of trades reported to F-TRAC of CCIL. But it was not found possible due to insufficient trades. Work is still in progress to address the ask from the market.

CD and T-Bills curve: FBIL had started publication of these rates from 23rd August 2017 and so the transition to these rates did not pose any problem.

As far as MIOCS is concerned, there are no new trades since many years and we had no option but to allow cessation of the rate and the few market participants with outstanding deals will now settle the same bilaterally.

Reuters INBMK: There are no new trades since many years, but an analysis of these polled rates found an alternative in the shape of par yield of G- Sec valuation being published by FIMMDA. So, after a series of meetings, the market was advised to take reference of the G- sec par yield as published by FBIL/FIMMDA for valuation of the outstanding trades.

1. **Valuation of G- Securities**: As per the recommendations of the Benchmarks Committee, all the benchmarks including valuation benchmarks will be taken over for administration by FBIL. In the monetary policy review in February 2018, RBI announced that the G- sec valuation being done by FIMMDA will be assumed by FBIL. As per instructions received from RBI, we handed over the administration to FBIL wef 31st March 2018. FIMMDA continues to be the Calculating agent with its methodology. FBIL will undertake a comprehensive review of the methodology in the days to come.
2. **Training programmes:** During April’17 till 31st March 2018, we conducted 11 training programmes benefitting 203 participants from member as well as non-member institutions.
3. **Visit by Officials of Central bank of Sri Lanka:** Officials from the Central bank of Sri Lanka visited FIMMDA to understand our role and responsibilities.
4. **Code of Fair practices:** We drafted a code of fair practices on the lines Global forex code after a series of meetings with the subcommittee of the board and consultations with RBI. This was circulated to all members and put up on our website in September 2017. We also requested RBI to make the Code mandatory to all market practices to ensure uniform implementation. In response, RBI suggested to define /explain some of the terms we used in the Code. The same was incorporated and they gave the final approval in March 2018. We have placed the same on our website. We request all members to confirm adherence to the Code and send their compliance certificates. We are making arrangements to let the compliance certificates by our members appear on our website by end May 2018.
5. **Valuation of Corporate Bonds:**

Presently, FIMMDA is publishing the combined traded data at all Exchanges every day. We also publish spread matrix twice every month as per polls received from 21 submitters. In response to a demand to publish daily matrix, based on the elaborate study of 2 years traded data and discussions with market participants, we evolved a methodology to publish spread matrix for days falling in between two polled matrices. We published on test basis for about 2 months and on the basis of feedback, approvals from Board etc, started publication of the daily matrix wef 17th April 2018. We hope market participants will be benefitted by this exercise.

**Conference Panels:**

The subjects chosen for panel discussions are very topical and current. I request all of you to participate actively in all the panels and utilise the expertise of the esteemed panellists.

As Benjamin Franklin said, "An investment in knowledge pays the best interest". So I urge you all to spend this conference to earn as much interest as possible.

I wish you all best of times in this beautiful city of New York at the advent of summer season and hope you will enjoy the weather, the events organized by our Tour operator along with the Conference. I hope you will take back sweet memories of your stay along with enriched knowledge and do well in your personal and professional lives.

Chairman.