

PRESS RELEASE

ASIFMA Launches New Report on India's Debt Markets

Detailed report provides industry insights on how to address the impediments facing the development of India's debt markets

Hong Kong, 26 July 2017 – [ASIFMA](#), the financial industry's leading regional trade association, today released its new report "India's Debt Markets: The Way Forward". The report is a comprehensive analysis of the current state of and the outlook for India's debt markets and provides detailed recommendations on how to enable India's continued strong growth. The paper was co-authored by five of ASIFMA's member firms who provided expertise: Clifford Chance, J.P. Morgan, Juris Corp, Nomura and PwC.

"Ever since India's burst of economic reforms starting in the early nineties, there has been a metamorphosis in the Indian capital markets, which have seen impressive growth across several dimensions," said Mark Austen, CEO of ASIFMA. "However, the various structural impediments -- ranging from the more visible physical infrastructural constraints to the less visible institutional, social, legal, regulatory and governance deficits -- have collectively impeded the further development of the Indian markets. In fact, this impact has been so significant that even though growth rates and the progress in Indian capital markets in absolute terms might appear to be impressive, they have been outpaced by even faster capital market developments -- particularly in the fixed income space -- in the other regional emerging markets, China in particular."

The objective of ASIFMA's report is to take stock of recent developments (since the publication of ASIFMA's last India bond markets roadmap in 2013) and to advise some clear markers for the future evolution of the Indian fixed income markets.

The new report covers the following:

1. Evolution of the Indian Bond Markets
2. Legal & Regulatory Framework (Bankruptcy & Resolution, Netting)
3. Settlement and Operations – Issues and Suggested Steps for Resolution
4. Offshore Issuance by Indian Issuers – Structures and Legal Framework
5. Access Channels and the Taxation of Debt Instruments
6. The Overview of Taxability in India
7. Tax and Regulatory Overview of Different Instruments
8. Recommendations

DEVELOPING ASIAN CAPITAL MARKETS

Recommendations

An extensive set of recommendations, based on our discussion/analysis of the various issues highlighted in each of the sections above, range from general suggestions at a macro level to very specific ones dealing with suggestions that are pertinent to certain micro aspects of the Indian fixed income markets such as those pertaining to the easing of Foreign Portfolio Investor (FPI) restrictions, tax-related issues, the easing of restrictions on “Masala bond” issuance and the streamlining of settlement timelines.

More specifically, our recommendations include (among many others):

- The need for greater liquidity and benchmark issuance across the yield curve and not just in on-the-run maturities.
- The need to further develop and deepen the corporate bond markets.
- The need to develop a “classic repo” framework in order to help enhance the overall bond market infrastructure.
- Further enhance and develop the “offshore INR” or “Masala bond” market, by easing issuance restrictions and allowing domestic investment in the secondary markets.
- Enhance and streamline FPI investor quota usage and the settlement procedures and timelines arising at the time of “full” or “nearly full” quota utilization.
- Rationalize the taxation of FPI investors in the debt markets, by unifying different withholding tax rates and streamlining the definition of “short term” versus “long term” capital gains across products and structures.

“This report is the culmination of many months of work and analysis by a wide group of experts, both within ASIFMA and among our member base, and we certainly hope that the recommendations help pave the way for the further development of India’s debt markets,” concluded Mr. Austen.

Link to report: Please access [here](#)

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About ASIFMA

[ASIFMA](#) is an independent, regional trade association with over 100 member firms comprising a diverse range of leading financial institutions from both the buy and sell side, including banks, asset managers, law firms and market infrastructure service providers. Together, we harness the shared interests of the financial industry to promote the development of liquid, deep and broad capital markets in Asia. ASIFMA advocates stable, innovative and competitive Asian capital markets that are necessary to support the region’s economic growth. We drive consensus, advocate solutions and effect change around key issues through the collective strength and clarity of one industry voice. Our many initiatives include consultations with regulators and exchanges, development of uniform industry standards, advocacy for enhanced markets through policy papers, and lowering the cost of doing business in the region. Through the [GFMA](#) alliance with [SIFMA](#) in the United States and [AFME](#) in Europe, ASIFMA also provides insights on global best practices and standards to benefit the region. More information about ASIFMA can be found at: www.asifma.org.