

The way forward

CRISIL Annual Bond Market Seminar, 2018

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Key messages

- **Over the last few years, a slew of regulatory changes have positively impacted corporate bond markets**
- **CRISIL's analysis shows a material gap between supply and demand going forward**
- **CRISIL also conducted a detailed institutional survey covering 60 market participants to understand their perspective on key concerns and further measures required**
 - Survey feedback was subsequently deliberated and validated through focus round-tables - one involving issuers and the other investors and intermediaries – attended by 20 leading market participants
 - Solutions to address the gap between demand and supply estimates were also validated during the round tables
- **Measures for further bond market development involve a combination of regulatory push, attracting investors, developing market infrastructure, and innovation**

The investor's voice - snapshot

Ecosystem

Stronger coordination between regulators

Increase awareness on IBC

Innovation

Products that meet retail needs

Infrastructure

Uniform market linked benchmarks

High margins, a deterrent for corporate bond repos

Institutions for market-making and development of derivatives market a key need

Investors

Visibility of potential returns key

Lack of liquidity a deterrent

Significantly enhance awareness

Tax sops

Regulations

ISIN harmonization a step in the right direction

The issuer's voice - snapshot

Infrastructure

Streamline EBP to reduce time taken for issuances; enable simultaneous issuances

Institutions for market-making and development of derivatives market a key need for liquidity

Ecosystem

Stronger coordination between regulators

IBC may take time to stabilize

Regulations

Permit larger number of ISINs per year

Relax prudential norms of regulators to channelize investments into lower rated bonds and infrastructure projects

Flexibility in bond buybacks

Investors

Reduce cost of public issuances

Tax sops

Significantly enhance awareness

Innovation

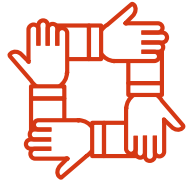
Products that meet retail needs

Actions to bridge the supply-demand gap



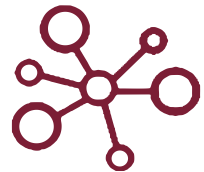
Ecosystem

- Improve cohesion and synergy amongst regulators
- Usher more confidence and transparency on the timelines and processes of IBC



Investors

- Encourage insurance, pension investments in infrastructure
- Encourage FPI participation in corporate bond market
- Improve banks participation in bond market
- Encourage retail participation in bond market by enhancing awareness, favourable tax regime and developing products that also ensure liquidity



Regulations

- Adopt uniform market benchmarks for pricing interest rate risk across financial sector entities
- Examine an auto liquidity adjustment mechanism on lines of countercyclical capital buffer for banks
- Refine recent initiatives - EBP and re-issuances
- Expedite setting up of public credit registry
- Enhance disclosures for debt issuers
- Give CRAs access to CRILC

Actions to bridge the supply-demand gap



Intermediaries

- Improve price discovery and liquidity by incentivising institutions to do market making in trading and repo participation



Innovation

- Create well-capitalized bond guarantee fund to provide credit enhancement for infrastructure
- Promote CDS market through encouraging global and local entities to write CDS
- Promote EL scale among banks, insurance and pension funds
- Encouraging securitisation in affordable housing; credit enhancements can be provided by sectoral regulators such as NHB

Thank you

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