

15<sup>th</sup> June 2015

Ms. Alpana Killawala  
Principal Chief General Manager  
Foreign Exchange Department,  
Reserve Bank of India,  
Central Office, 11th Floor,  
Shahid Bhagat Singh Marg,  
Mumbai 400 001

Dear Ms Killawala,

Re: Draft Framework on Issuance of Rupee linked Bonds Overseas

**AIWMI<sup>1</sup> and CCRA Community<sup>2</sup>** appreciate the opportunity to comment on the Draft Framework on Issuance of Rupee linked Bonds Overseas.

**Executive Summary:**

We applaud Reserve Bank of India (RBI) for its attempt to allow issuance of Rupee Linked Bonds overseas in view of the interest shown by international investors. We agree and support the intention to expand the scope of issuance of these bonds by the international financial institutions as also to permit Indian corporates, eligible to raise external commercial borrowings (ECB).

We have endeavoured to address some of your proposals below, specifically in cases where we think it would help market participants and issuers in developing the markets for the said bonds.

CCRA global membership believes that such steps would go a long way in helping Indian corporates and global investors set examples for ongoing ease of doing business as well as easier access to raising funds/investing in Indian issuers.

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<sup>1</sup>**The Association of International Wealth Management of India (AIWMI)** is a not-for-profit organization and a globally recognized membership association for finance professionals with affiliates in around 40 countries. AIWMI primarily focuses on the broad and strategic role of developing a more robust and forward-looking training infrastructure for the financial services sector and to promote more active industry involvement and collaboration in training and continuing education. AIWMI is offering advanced international certification programs along with a wide variety of high-quality executive education programs. AIWMI programs combine state-of-the-art knowledge and skills with practical experience and insights into the functioning of the financial sector. All AIWMI courses and educational events have an intense and pragmatic curriculum. Participants are exposed to the latest developments within the financial services sector. AIWMI plays a key role in guiding the development of the financial services sector. AIWMI works with key industry participants' viz. the Government, the Regulators, the Industries/Associations, the Corporate, the Media and the General Public to achieve its objectives. Besides enhancing technical competence and professionalism in the industry, AIWMI organizes events and facilitates discussions to promote best practices in leadership and talent development in the financial sector with an aim to become Asia's premier center of excellence for financial education. For more info visit [www.aiwmindia.com](http://www.aiwmindia.com) or [www.aiwm.org](http://www.aiwm.org)

<sup>2</sup>**The Certified Credit Research Analyst (CCRA)** is a comprehensive global education program designed to give an expert level understanding of Banking and credit markets to fresh graduates. It integrates the fundamentals of financial analysis, credit and Loan analysis, rating methodologies, credit strategy and structuring. It offers the tools a candidate needs to occupy key positions in the world of finance, private banking, credit ratings and fixed income domain. **The program is offered by AIWMI and NISM (National Institute of Securities Market, A SEBI Body) in India.**

## **Proposal and Comments**

The said bonds should be identified or recognized with a particular name so that investors, stakeholders and issuers can identify them separately vs. current ECB or other borrowings.

Certain other names being used in the market for other countries bonds are Dim-sum, Maple, Panda, Sumo, Euro bonds etc. We can call them “Laddu Bonds<sup>3</sup>” or something which resonates with India.

Para 2, Point A, Point IV: Amount and average maturity period of such bonds should be as per the extant ECB guidelines. The call and put option, if any, shall not be exercisable prior to completion of applicable minimum average maturity period.

*Comment:*

*We feel the issuers should be allowed to determine the maturity/duration of the said bonds so as to suit the market demand and investors need. We believe we might see lot of pension/other buy side institutions inclined towards the said bonds, but would be restricted/limited due to restrictions outlined in the current ECB policy.*

*The restriction on option exercises should be removed in order to have fair/free pricing (improving liquidity) for the bonds.*

Para 2, Point A, Point V : The coupon on the bonds should not be more than 500 basis points above the sovereign yield of the Government of India security of corresponding maturity as per the FIMMDA yield curve prevailing on the date of issue.

*Comment:*

*We feel the coupon/yield of any bond/instrument is a function of market demand along with factors like liquidity etc. Let the risk/return profile of corporate and investor preferences determine the same rather than linking this with the ECB policy. In order for such bonds to be eligible to be included in the regional/global Bond Indexes, they need to have features like certain size of issuance, coupon flexibility, standard covenants etc.*

Para 2, Point A, Point VII: For USD-INR conversion, the Reserve Bank's reference rate on date of issue will be applicable.

*Comment: It should be clarified that issuers are allowed to raise bonds in any foreign currency*

Para 2, Point C : Any investor in these bonds will be eligible to hedge both the foreign currency risk as well as credit risk through permitted derivative products in the domestic market. The investor can also access the domestic market through branches of Indian banks abroad or branches of foreign bank with Indian presence. Such hedging contracted with banks abroad on a back to back basis with AD category-I banks in India will be as per the procedure outlined in A. P. (DIR series) Circular No. 103 dated May 21, 2015.

*Comment:*

*The said hedging (FX, Interest Rate, Credit Risk) should be allowed to all investors without any restrictions or mandate at all times during the said process including the time frame between raising funds and utilizing the same. The regulator should enable/allow the general broker/dealers/other banks to offer Credit risk derivatives (CDS) on an OTC market basis without generic requirement of having the exposure.*

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<sup>3</sup> For a complete List of Foreign Currency bond names, Click [https://en.wikipedia.org/wiki/Bond\\_\(finance\)#Foreign\\_currencies](https://en.wikipedia.org/wiki/Bond_(finance)#Foreign_currencies)

Para 3: Banks incorporated in India will not have access to these bonds in any manner whatsoever.

*Comment:*

*We strongly feel that the regulator should look into permitting banks/other institutions to raise funds for specific purposes like Infrastructure/Green projects or other special uses as determined. The said bonds should also be considered on par with Tier 1 and 2 capital for the purpose of calculations.*

**Closing Remarks**

RBI has taken an important step in developing the corporate bond markets through the proposals in this draft framework. AIWMI and CCRA global community appreciates the kind opportunity to comment on these proposed changes.

We hope that RBI finds the comments useful in analysing/deciding the proposals/framework. We would be very keen to engage further with RBI via in person meetings or otherwise to present our views.

If you have any further questions or seek clarification, please do not hesitate to contact Biharilal Deora at +91 99308 37335 or [Biharilal@aiwmindia.com](mailto:Biharilal@aiwmindia.com) or [Biharilal.deora@gmail.com](mailto:Biharilal.deora@gmail.com)

Sincerely yours,

Biharilal Deora CFA, FCA, CFP, CIWM, CIPM  
Principal Advisor – AIWMI  
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India