Government of India
Ministry of Finance
Department of Economic Affairs

LOK SABHA
STARRED QUESTION NO.*278

TO BE ANSWERED ON MONDAY, MARCH, 15TH 2021/ Phalguna 24, 1942 (Saka)

BOND MARKET

***278.** Smt. Meenakshi Lekhi

Will the Minister of FINANCE be pleased to state:

(a) the measures being taken by the Government to develop the bond market in the country to help increase in access of capital to private companies;

(b) the measures being taken by the Government to incentivise foreign investment;

(c) whether the Government plans to introduce diaspora bonds to create an avenue for the Indian diaspora to invest in India; and

(d) if so, the details thereof?

ANSWER
MINISTER OF FINANCE
(SMT.NIRMALA SITHARAMAN)

(a) to (d) : A statement is laid on the Table of the House.

*****

Statement referred to in the reply to part (a) to (d) of the LOK SABHA Starred Question no *278 raised by Smt. Meenakshi Lekhi due for reply on 15th March, 2021 regarding "Bond Market".

(a): The Government of India, in coordination with Securities and Exchange Board of India (SEBI) and Reserve Bank of India (RBI) has taken various steps to develop the bond market with a view to facilitate increased access to capital for the body corporates including private companies. Some such measures taken in the recent past are detailed below:

i. With effect from January 2020, listing of commercial papers has commenced on stock exchanges to help companies raise short term debt;

ii. With effect from July 1, 2020, the rate of stamp duty for issue of corporate bonds has been reduced to 0.005% and for transfer and reissue to 0.0001%. Same rate of 0.0001% would apply to repo transactions on the interest component. Further, a uniform method of collection through stock exchanges and depositories has been put in place.

iii. In August 2019, Government has removed Debenture Redemption Reserve (DRR) to reduce the cost of issuance for companies.

iv. The time taken for listing in case of public issue of debt securities has been reduced to 6 working days from 12 working days and for privately placed securities to 4 days from 15 days from the date of closure of issue. This was done to make the existing issuance process easier, simpler and cost effective for both issuers and investors.

v. RBI has allowed banks to provide Partial Credit Enhancement to bonds issued by Corporates/special purpose vehicles (SPVs).

vi. Bilateral Netting of Qualified Financial Contracts Act 2020 has been enacted to provide a firm legal basis for bilateral netting so as to enable banks to rationalize their credit exposure to over the counter (OTC) derivatives and to help in the development of Credit Default Swap market, which is critical for the development of corporate bond market in India.

vii. RBI has extended Long Term Repo Operations (LTRO)/ Targeted Long-Term Repo Operations (TLTRO) to banks for extending loans to / investing in corporate bonds of targeted sectors during the pandemic period from February 2020 to April 2020.

viii. The Union Cabinet has recently given its approval to the proposal for equity infusion by Government of Rs 6000 crores in NIIF Debt Platform sponsored by National Investment and Infrastructure Fund (NIIF) which can play a major role in infrastructure financing and development of Bond Market in India by acting as a AAA/AA-rated intermediary between the bond markets and infrastructure projects and companies.

(b): To promote Foreign Direct Investment (FDI), the Government has put in place an enabling and investor friendly FDI Policy, wherein most sectors are open for 100% FDI under the Automatic route, subject to applicable sectoral laws, regulations, rules, security conditions and state/local laws/regulations. The Government reviews the FDI policy on an ongoing basis and makes significant changes from time to time, to ensure that India remains an attractive investor friendly destination. Recently, foreign investment in Insurance intermediaries and Defence industry has been raised from existing 49% to 100% and 74%

respectively, under automatic route. Further, RBI in consultation with Government has vide notification dated March 30, 2020 increased the limit for Foreign Portfolio Investments (FPI) in corporate bonds to 15% of outstanding stock for FY 2020-21 from the earlier 9% limit. A new investment channel called the Fully Accessible Route was introduced with effect from April 2020 to make available certain specified Central Government securities without any limit for non-resident investors. Voluntary Retention Route (VRR) was introduced in March 2019 for attracting long term foreign investment. To attract more investments from Sovereign wealth funds (SWF) and Global Pension fund (PF) which account for one of the largest pools of global Capital, Income on Investments made by SWF and PF in infrastructure upto 2024 have been made eligible for Income Tax exemption by Finance Act 2020 and further, the scope of these exemption have been proposed to be widened by Finance Bill, 2021. Project Development Cells (PDCs) have been formed in every ministry and an EGoS (Empowered Group of secretary) has been set up to fast-track investments and hand-hold investors in solving their problems.

(c) & (d): The government has no plans, as on date, to introduce diaspora bonds.

****