

## **ISDA Publishes Whitepaper Charting the Next Phase of India’s OTC Derivatives Market**

**NEW YORK, March 4, 2024** – The International Swaps and Derivatives Association Inc. (ISDA) has published a new whitepaper that explores the growth of India’s financial markets and makes a series of market and policy recommendations to encourage the further development of a safe and efficient over-the-counter (OTC) derivatives market.

India’s economy is expected to grow strongly in the coming years and is forecast to become the world’s third largest by 2030. Despite this, the country’s OTC derivatives market remains small, with average daily turnover of interest rate derivatives reported by sales desks in India accounting for just 0.1% of the overall global market in 2022, according to the [Bank for International Settlements](#).

While Indian authorities have taken important steps to develop the country’s derivatives market – notably, by passing legislation to ensure the [enforceability of close-out netting](#) in 2020 – the whitepaper proposes several initiatives that industry participants and regulators could take to create deeper and more liquid domestic derivatives markets and enhance risk management practices.

“Derivatives are critical for healthy, competitive financial markets and help spur economic growth. They give companies the ability to raise financing at the best rate and manage their risks, enabling those firms to invest and grow. We commend the Indian authorities for taking important steps to develop their domestic derivatives markets, and our paper sets out additional recommendations that we hope the industry and regulators will consider,” said Scott O’Malia, ISDA’s Chief Executive.

The recommendations are centered on five key pillars:

- **Broaden product development, innovation and diversification:** This includes developing standardized term benchmarks to reduce basis risk, expanding the scope of the credit derivatives market beyond the current limited universe of bonds, debentures and money market instruments, and enabling onshore OTC commodity and equity derivatives markets.
- **Foster adoption of similar market and risk principles across regulatory regimes:** ISDA recommends the rules governing the use of derivatives by various market participants be aligned. In particular, the rules relating to the use of OTC interest rate and credit derivatives should be harmonized.

- **Enhance market access and diversification of participants in the OTC derivatives market:** Regulators and industry participants should work together to develop skills and expertise across the market by holding targeted educational and awareness initiatives.
- **Ensure growth in a safe and efficient manner:** ISDA believes initial margin requirements for non-cleared derivatives should be aligned with global standards to ensure domestic markets are safe and efficient. This includes allowing full substituted compliance for Indian branches of foreign banks and expanding the list of eligible collateral.
- **Encourage greater alignment with international principles and practices:** Domestic rules should be aligned with international standards wherever possible to increase harmonization and encourage international participation and investment. For example, ISDA recommends the Reserve Bank of India adopt the standardized approach for measuring counterparty credit risk, bringing bank capital rules in India in line with standards developed by the Basel Committee on Banking Supervision.

The paper and full list of recommendations is available [here](#).

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**About ISDA**

Since 1985, ISDA has worked to make the global derivatives markets safer and more efficient. Today, ISDA has over 1,000 member institutions from 77 countries. These members comprise a broad range of derivatives market participants, including corporations, investment managers, government and supranational entities, insurance companies, energy and commodities firms, and international and regional banks. In addition to market participants, members also include key components of the derivatives market infrastructure, such as exchanges, intermediaries, clearing houses and repositories, as well as law firms, accounting firms and other service providers.

Information about ISDA and its activities is available on the Association's website:

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