

**India Derivatives Markets Forum  
April 16, 2026**

**Opening Remarks  
Scott O'Malia, ISDA Chief Executive**

Good morning and welcome.

This is the third year we've run the India Derivatives Markets Forum, and the number of people attending has grown each year, which is terrific. Thank you for coming today, and thanks to OSTTRA for sponsoring.

Over that three-year period, we've seen significant developments in efforts to liberalize, expand and strengthen India's capital and derivatives markets – from the introduction of margin requirements for non-cleared derivatives to the recent memorandum of understanding between the European Securities and Markets Authority (ESMA) and the Reserve Bank of India (RBI).

These are important steps. Combined with the passing of netting legislation in 2020, the foundations are firmly in place for a safe and efficient local derivatives market. But we shouldn't stop there. Additional steps are necessary to further develop this market – both in terms of the instruments available and the participants allowed to use them, such as pension funds. By taking the next steps on regulation and market structure, and doing so in close partnership with policymakers, we can help build a derivatives market that is deeper, more vibrant and more efficient – and plays a vital role in supporting India's economic ambitions.

In my remarks this morning, I'll briefly highlight some of the recent steps that have been taken to strengthen India's derivatives market. I'll then set out the areas where we think further change is needed.

First, though, let's remind ourselves why this is important. India is now the world's fourth largest economy, recently overtaking Japan, and by some estimates could become the third largest as soon as next year. In contrast, India ranks as only the 17<sup>th</sup> largest market globally for foreign exchange (FX) derivatives and the 20<sup>th</sup> for interest rate derivatives, despite experiencing strong growth in recent years.

This matters because India's companies will need to invest to maintain growth. As India's capital market grows to accommodate this demand, so too will the need for derivatives as a means of managing and hedging risk exposures. Derivatives play a critical role in helping firms reduce risk, secure cheaper funding and enhance performance, creating greater certainty and stability and enabling firms to plan with greater confidence

## **Progress So Far**

As I mentioned a moment ago, the foundations are already in place for India's derivatives markets to thrive. Close-out netting legislation creates certainty that obligations can be settled on a net basis in a default, reducing credit risk and encouraging greater domestic and international participation.

India's regulators have also implemented various reforms to enhance the resilience of derivatives markets, including clearing, margining and reporting requirements.

Clearing in India is already well developed, with the Clearing Corporation of India (CCIL) clearing a variety of products, including dollar-rupee forwards, rupee interest rate swaps and forward rate agreements. A crucial milestone was reached in January with the signing of a memorandum of understanding between the RBI and ESMA, establishing cooperation and information sharing on Indian central counterparties (CCPs). This paves the way for CCIL to be recognized as a third-country CCP by ESMA, reopening access for EU firms to clear derivatives in India and supporting greater participation and liquidity in the market.

Margin rules for non-cleared derivatives are also now in place, following implementation of variation margin requirements in May 2023 and initial margin obligations in April 2025. In the run-up to implementation, ISDA worked closely with members and policymakers to clarify several operational and legal issues and ensure firms had the necessary documentation in place. For example, an ISDA-led review of custodial arrangements and documentation confirmed that Indian government bonds could be used as initial margin within the CCIL framework in a way that is operationally and legally consistent with global margin rules and custodian practices. This reduces reliance on offshore collateral and supports efficient implementation of the margin rules in India. I'd like to thank CCIL for its close collaboration on this important project, as well as the RBI for its support.

We also provided support and training on use of the ISDA Standard Initial Margin Model (ISDA SIMM), ensuring Indian firms had access to a common methodology for the calculation of margin requirements. Since its launch 10 years ago, the ISDA SIMM has been rigorously tested, regularly reviewed by global regulators and adopted by financial institutions around the globe. Critically, use of a single, transparent model across the industry ensures consistency with standard market practices and lowers the risk of disputes, ensuring margin amounts can be agreed and posted quickly, reducing delays and mitigating counterparty credit risk.

You can be sure that ISDA will continue to provide support on the margin rules as new firms come into scope over time.

Another critical building block has been the introduction of derivatives reporting requirements. We commend the RBI for its continued efforts to align its framework with global data standards, including the adoption of the unique transaction identifier. This will help reduce operational burdens for reporting firms and give policymakers a clearer, more consistent view of over-the-counter (OTC) derivatives markets.

In a recent change, the RBI has proposed extending reporting requirements to all rupee FX transactions, including offshore trades, following the finalization in December of similar requirements for rupee-denominated interest rate derivatives. ISDA is engaging constructively with the RBI to highlight some practical issues that should be addressed before the rule is finalized.

For one thing, the offshore rupee FX market is global and highly diverse, involving overseas banks, asset managers, pension funds, corporates and sovereign institutions. In some cases, confidentiality and data-privacy rules in home jurisdictions may limit the ability of in-scope dealer counterparties to report certain client information.

While progress is being made on data standardization, differences between Indian reporting formats and those used internationally would also create significant operational challenges for firms already reporting the same transactions in other jurisdictions.

In our response, we've proposed a number of possible fixes, including allowing data masking where client consent is not sufficient to overcome restrictions on data transfers, aligning reporting formats with globally harmonized standards for offshore rupee derivatives, and extending implementation timelines to reflect the scale and complexity of the offshore market.

## **Next Steps**

These are all important areas of progress, but there is more we can do to further develop India's derivatives markets and improve depth, liquidity and participation. This will contribute to more vibrant capital markets that will support borrowing, investment and economic growth.

One area of focus is broadening participation to entities like pension funds that are currently restricted from using OTC derivatives.

According to the UN, the share of people aged 60 or more is forecast to rise from about 11% today to more than 20% in 2050 – that equates to about 247 million people. This demographic transition towards an ageing society means the pension sector will play a critical role in supporting retirees and mitigating the impact on the state.

Around the world, pension funds are big users of derivatives to hedge against shifts in interest rates, inflation and equity markets and to bolster returns. This approach helps to ensure stable pension payouts, enabling retirees to receive reliable income streams. This stability, in turn, supports public confidence and fosters healthier financial ecosystems.

As it stands, however, Indian pension funds regulated by the Pension Fund Regulatory and Development Authority can only use exchange-traded derivatives for the purpose of hedging. Exchange-traded derivatives can play an important part in pension risk management strategies, but complementing the available tool set with OTC derivatives would allow much greater flexibility for pension funds to achieve their objectives. This doesn't just benefit pension funds and their customers – stable pension funds reduce the likelihood of large, system-wide shocks that can ripple through economies when pension promises are underfunded.

Linked to this, we need to extend liquidity beyond today's relatively short horizons, so market participants can manage risks over longer time frames with confidence. This is especially important for pension funds and other long-term investors that have liabilities stretching to 20 years or more. Today, liquidity in India's interest rate derivatives market is largely concentrated at the short end of the curve, making it difficult to hedge long-dated exposures. Expanding liquidity in longer-tenor derivatives would give pension funds the tools they need to manage long-dated liabilities prudently.

Achieving this will require coordinated action by market makers, benchmark administrators and market infrastructure providers to extend benchmark curves, encourage longer-dated trading and develop standardized, robust reference rates. Doing so would not only strengthen risk management for long-term investors like pension funds, but also enhance the resilience, attractiveness and maturity of India's derivatives market as a whole.

Now is also the time to consider expanding the suite of onshore OTC derivatives markets to include energy and metals. Since the escalation of conflict in the Middle East in late February, energy prices have been extremely volatile. Brent crude rose from around \$72 a barrel on February 27 to above \$100 within days, at one point spiking well above \$110, before swinging sharply lower again – a move of more than 40% in less than a month. That level of volatility creates real financial stress for Indian companies, which are big consumers of commodities. Yet today, India does not have an onshore OTC commodity derivatives market, limiting the ability of many domestic firms – particularly mid-sized and smaller participants – to hedge these risks efficiently and precisely.

Developing an onshore OTC commodity derivatives market would allow Indian companies to manage this volatility far more effectively, without undermining the existing exchange-traded market. OTC instruments can be tailored to specific pricing benchmarks, contract sizes and settlement cycles, helping firms reduce basis risk more effectively. Introducing these products would strengthen resilience across the economy, improve risk management during periods of geopolitical stress and ensure Indian companies are equipped to withstand an increasingly volatile global environment.

Before I wrap up, I want to highlight another area that isn't directly related to derivatives: the importance of a robust and liquid corporate bond market. This market has been underdeveloped compared to other emerging markets, with a heavy reliance on bank loans for financing. As India's economy continues to grow, it's important that small- and medium-sized businesses have another avenue available to them for raising capital for investment and expansion.

There have been some important steps to liberalize the corporate bond market, including changes in 2024 to allow banks to hold higher volumes of corporate bonds in the held-to-maturity category. But further developments – for example, loosening restrictions on institutional investors to invest in lower rated bonds – would help. The credit derivatives market could support development by enabling investors to hedge their credit exposures if they choose to.

## **Conclusion**

As I said at the start of my remarks, strong foundations are in place to enable India's derivatives market to thrive, thanks to close collaboration between policymakers and market participants. But we can and should go further to ensure India has deep, liquid and resilient derivatives markets that can support future economic growth.

As India's population ages, having access to a robust, long-dated OTC derivatives market will enable pension funds to meet the future needs of retirees, while guarding against volatility that could erode value and affect their ability to pay out to pensioners. Developing an onshore OTC commodity derivatives would allow Indian companies to effectively and efficiently manage their exposures to energy and metals markets. And a further loosening of restrictions on the corporate bond market would expand the options available for local firms to raise funding, increasing investment and economic growth.

We've come a long way in a relatively short amount of time. ISDA remains committed to working with market participants and regulators to take those extra steps safely and efficiently.