The financial industry – whether in Europe or in India - has an important role to play in providing the means for the wider economy to grow, generating jobs and the revenue needed by all countries to balance their books. I look forward to working to support the sector – and its role in generating economic growth – over the coming years.

Mark Boleat is the Policy Chairman for the City of London Corporation.

City of London - India events

Roundtable discussion with Justice B.N. Srikrishna, London

On April 18, 2012, the City of London organised a roundtable discussion with Justice B.N. Srikrishna, Chairman of the Financial Sector Legislative Reforms Commission (FSLRC), Government of India. The roundtable was attended by the Deputy Policy Chairman and representatives of Prudential, LCH Clearnet, Standard Chartered, ICEAW, Thomson Reuters, Deloitte LLP and Shearman and Sterling LLP.

The roundtable discussion was part of a four day programme for the FSLRC organised by the City of London. It followed up from a meeting between the Chairman and Deputy Chairman and Justice Srikrishna in Mumbai in February. During the visit the FSLRC also met with the Chairman of the Financial Markets Law Committee, the Financial Secretary to the Treasury and the CEO of the FSA.

The FSLRC was established by the Indian Ministry of Finance in March 2011 to rewrite and harmonise India's financial sector legislation, rules and regulations.

FIMMDA - Brickwork Ratings - City of London workshop on Credit Default Swaps

City of London along with FIMMDA and Brickwork Ratings organised a '*Workshop on Credit Default Swaps*' on April 26, 2012 in Mumbai. The workshop was inaugurated by Mr. R. Gandhi (Executive Director of Reserve Bank of India).

The Reserve Bank of India had recently introduced Credit Default Swaps to provide market participants a tool to transfer and manage credit risk associated with corporate bonds. Since its introduction there hasn't been much uptake of the product. The objective of the workshop was to address some of the issues affecting CDS in India and focus on why CDS is critical for hedging risks.

The workshop addressed the area of structure and documentation in formulating a CDS through presentations by ICICI Bank and IDBI Bank. A current scenario of the Indian CDS market was provided by Brickwork Ratings addressing areas of valuation, pricing, downward migration of bond credit ratings and the use of CDS in managing credit risks. The international Swaps and Derivatives Association addressed the gathering on the ongoing Greek CDS event.

The workshop was well attended by over 40 officials from various banks (public and private) and the Reserve Bank of India.

India Updates

Qualified Foreign Investors (QFIs) - Direct window for India Investments: An Opportunity

In these turbulent times where the global scenarios is looking weak, investors are on a low confidence pursuant to issues around euro zone and where the questions have been raised on the strength of the economy of China, Indian government has decided to open a new window for the foreign investors for direct investment in India.

Earlier last year, the government had introduced a new category viz., Qualified Foreign Investors (QFIs) which then were allowed to make investment in India through Mutual Funds and now this move for direct investment in equity of Indian listed companies is a next step to support the objective of the Indian government. Thus, the benefit of direct investment

for offshore money which was restricted to only Non-resident Indians and Foreign Institutional Investors / Sub-accounts (by obtaining registration with Indian regulators) is now available even to the foreign investors.

Objective of this regime

Indian government in its move to improve the depth of the Indian capital markets, reduce volatility, attract more foreign funds and to widen the class of the investors decided to introduce this regime of direct investment by QFIs.

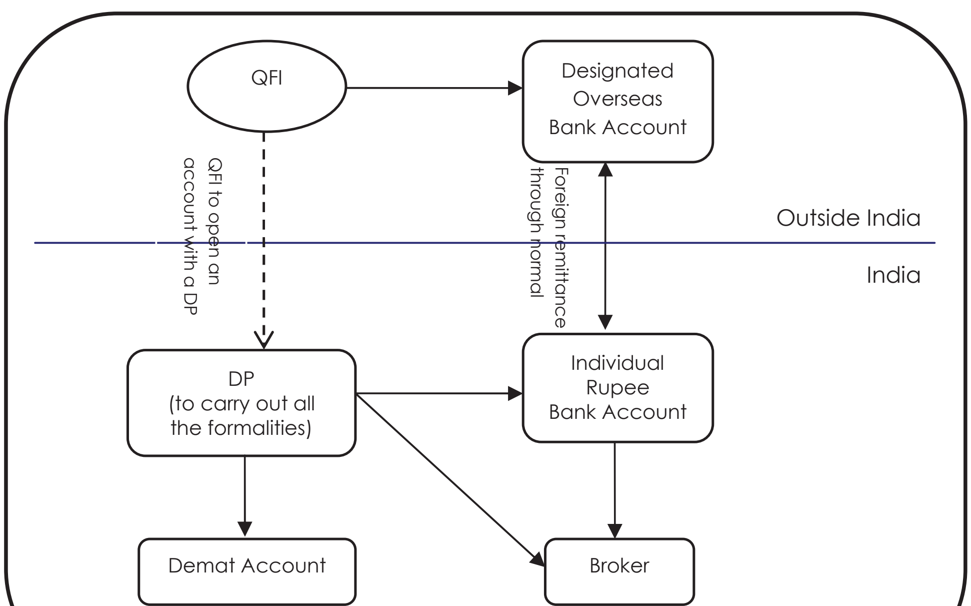
For a long time, the government and regulators kept foreign individual investors away owing to concerns relating to money laundering and due diligence. With restrictions in place, foreign individual investors, forcibly, had to either buy into Indian stocks through Participatory Notes or invest in India-focused offshore funds. This move will provide an opportunity to hold the shares of the Indian company in own name with all the processes taken care of by the depository participant.

What is QFI?

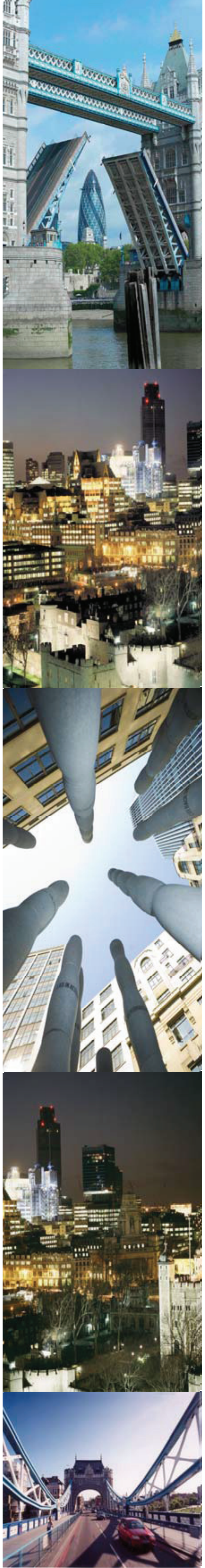
Qualified foreign investors, or QFIs, can be individuals, groups or associations based abroad from countries which are Foreign Action Task Force (FATF) Compliant and are signatories to Multilateral MoU of IOSCO. However, a QFI should neither be a person resident in India nor be a FII / sub-account.

Important aspects of investments under QFI Route

- There is no need to obtain separate registration from Indian regulators; once you fulfil the criteria defined – you are allowed to make investment under this route.
- A demat account (for holding shares) and trading account for purchase/sale of shares needs to be opened with any of the Qualified Depository Participant (QDPs) after complying with KYC norms.
- QFIs are permitted to purchase and sale the shares, Corporate Bonds, mutual fund units on the Indian bourses through the remittances made to their Indian non-interest bearing rupee account from the overseas designated bank account.
- QFIs can buy 5% of the paid up capital of the company and the aggregate limit of all the QFIs put-together in the Company will be 10%. The point worth noting here is that these limits are over and above the existing limits of investment under FII/NRI investment route.
- QFIs are not permitted to issue Participatory notes or offshore derivative instrument.



Process Flow



With an expectation that over the next two years QFIs would invest USD 50-75 billion in the country, Indian ministry of finance is encouraging investment under this route and is also proposing to raise funds through road shows."We will organise roadshows from June 10-15 in five Gulf countries -- Bahrain, Oman, Kuwait, the UAE and Saudi Arabia, to attract QFIs in the securities market," a senior Finance Ministry official.

To further smoothen the process for the QFI, the finance ministry has taken few more steps; per which

- QFI is permitted to open a separate individual bank account instead of common rupee pool account.
- The norm regarding the limit of 5 days for keeping money by QFI has also been removed which in the earlier case had to be remitted back abroad if not invested.
- Increased the investment limit by USD 1 billion for investment in corporate bonds and mutual fund debt schemes.
- It has been indicated that there are certain clarifications vis-à-vis tax issues for QFIs will be out soon.

United Kingdom being one of the signatories to the IOSCO's MoU and also FATF member, would permit the investor from UK to invest in India under QFI route and take all its advantages.

Thus, it is clear that the Indian government is taking logical and step by step approach to smoothen the investment process for foreign investment directly in Indian capital markets. With the devaluing rupee and in this slowdown where good companies are available at good prices, it will be worth exploring the caption and the famous quote by world's greatest and successful investor, Warren Buffett: A great investment opportunity occurs when a marvellous business encounters a one-time huge, But solvable problem.

The author, Amit Doshi is the Director of Care Portfolio Managers Pvt. Ltd., an investment advisory firm based in Mumbai and licensed by the Securities and Exchange Board of India.

Contact Amit Doshi
Email: amit@carepms.com *Website: www.carepms.com*

City of London research

London as a centre for international renminbi business

This report, commissioned by the City of London and authored by Bourse Consult, presents a picture of the renminbi products and services currently available in London and the volume of business transacted in London in 2011. The report demonstrates that a significant amount of renminbi business is already being done in London, including services for retail clients, services for corporate clients and interbank and institutional business. These products and services benefit clients by enabling them to conduct international transactions cost-effectively and securely - and allow risk to be hedged and managed.

To view the report, please click here.

Corporate and investor perspectives on London renminbi business

The City of London published the latest RMB paper prepared by Trusted Sources in June 2012. This special interest paper examines the attitudes of corporates (non-financial corporations) and institutional investors towards RMB products and services, and examines the views and experiences of European firms using off-shore RMB products and services. The paper highlights the opportunities that the international RMB market offers to companies.

To view the report, please click here.