

## **Mumbai – an International Financial Centre (Seminar by Dr. Jaimini Bhagwati)**

### **Abstract:**

The High Powered Expert Committee's report on Mumbai as an International Financial Centre (IFC) provides a useful compilation and analysis of the current state of development of the Indian financial sector and identifies India's comparative advantages. The cross-country comparisons indicate that further reforms remain to be implemented to catch up with more developed markets. It is perceptive in identifying missing links in Indian financial markets e.g. liquid sub-sovereign debt markets and exchange traded currency/interest rate derivatives. The tax proposals in the report could be the basis for future changes. The same could also be said about report's suggestion for development of human capital in quantitative finance.

Clearly, far reaching changes are required if Mumbai is to emerge as an IFC and recommendations for reforms in the banking, capital markets, insurance and pension sectors would not be complete without suggestions for accompanying changes in regulation and the macro-economic environment. However, this all encompassing setting renders the report thin on the ground. The provision of sophisticated International Financial Services (IFS) out of Mumbai including to hedge funds and private equity/venture capital providers by itself does not lead to widespread creation of wealth in a country where an IFC is located.

Financial inclusion is not addressed in the report in any detail. Even as the sophistication of products offered out of Mumbai rises, financial services need to reach a larger fraction of our population. Additionally, pensions and insurance sectors are not treated as exhaustively as these could have been in this report. On page 54, the report states that "history suggests that no country or regional economy can become globally significant without having an IFC of its own". It is not clear if the report is suggesting that having an IFC is a necessary condition to be "globally significant" and if so, how this is relevant for India.

### **Speaker's Profile:**

Dr. Jaimini Bhagwati currently heads the Eurasia Division in the Ministry of External Affairs, Govt. of India. Prior to this he worked at the World Bank as Chief Officer (Corporate Finance) where he was responsible for financial risk oversight of the World Bank's investment portfolios, funding, asset-liability management and related derivatives transactions in addition to market risk analysis and policy issues related to the World Bank's net worth, risk capital, quality of loan portfolio and net income. Between 1999-2002, Dr. Bhagwati served as a Joint Secretary at the Capital Markets Division of the Ministry of Finance, where he was involved in several reforms initiated in the stock markets in India, such as removal of the practice of Badla, introduction of derivatives trading and rolling settlement, apart from pension reform initiatives, and delineation of regulatory responsibilities among RBI, SEBI and IRDA, to mention a few. In his career in Finance, Dr. Bhagwati has worked in the World Bank Treasury from 1991-1999 in various capacities including Head of Asset-Liability Management, Lead Specialist for Derivatives and Principal Financial Officer. Dr. Bhagwati is from the Indian Foreign Service (1976 batch). He has a Ph.D. in Finance and a M.Sc. in Physics.