

Committee: Policy and Resources	Date: 19 October 2015
Subject: Policy Chairman's visit to India and Singapore, August 2015	Public
Report of: Director of Economic Development	For Information

Summary

This report advises Members of the outcome of the recent visit by your Chairman to India and Singapore, 22 - 28 August 2015. The main purpose of the visit was to meet with business and policy stakeholders (firms, policymakers, regulators and financial institutions) to discuss regulatory and competitiveness issues affecting India and Singapore. Priorities were to convey key City messages and policy positions in relation to financial market development; advocating greater coordination of international regulatory reform and to understand better development and views in Singapore and India.

India

Your Chairman's visit to India strengthened the City's relationship with Indian financial services leaders and provided a strong work plan for the City of London and City Office for the coming six months – focusing on credit markets, Insurance and reinsurance, the international use of the rupee and improving access for City firms in India. The visit stimulated discussion with the business and media communities on the issues of banking reforms, developing Mumbai as an International Financial Centre, non-life insurance and reinsurance, Indian taxation and UK immigration issues. The visit cemented positive engagement with the Maharashtra Government and reinforced relations with Reserve Bank of India and the Securities and Exchange Board of India. City of London Advisory Council members were well engaged and actively participated at meetings with the Policy Chairman, showing on-going commitment of members.

Singapore

Your Chairman enjoyed high level engagement with Singaporean Government and business contacts. Key areas for further development include the internationalisation of the RMB, FinTech and the development of ASEAN. City of London Singapore activity will develop in these three areas and look towards developing collaborative opportunities in this space; including sharing best practice, delivering joint position papers about development in ASEAN and the development of international RMB business.

Recommendation(s)

Members are asked to note the report.

Main report

Background

1. Your Committee previously approved an annual visit to India by your Chairman. This annual visit builds on the work of the Advisory Council and the City of London Representative Office in Mumbai to promote the interests of the UK-based financial and related business services sector and strengthen trade and investment links between India and the UK. Your Committee further approved the delivery of a Singapore Engagement Strategy, to develop the relationship between the City and Singapore.
2. Your Chairman visited Mumbai 24 – 25 August and Singapore 26 – 27 August; he was accompanied in India by the City of London Mumbai representative and in Singapore by the Head of International Affairs (EDO). The principal objective of the visit was to further develop the City of London's links with the financial and professional services industry in India and Singapore.
3. The visit programme in India included meetings with an Executive Director of the Reserve Bank of India (RBI), a member of the Securities and Exchange Board of India (SEBI) Board, the Chief Minister of Maharashtra and City of London Advisory Council for India members. Key events participated in included an interview as part of a India Banking Association Conference, roundtables on financial deepening and meetings with key stakeholders and inward investment prospects.
4. The visit programme in Singapore included a lunch hosted by the British High Commissioner and senior representatives from UK based firms operating in Singapore, meetings with the head of the Singapore Civil Service and Permanent Secretary to the Ministry of Finance; an Assistant Managing Director (Development and International) of the Monetary Authority of Singapore; and a number of senior business stakeholders.

Further details of the visit are set out in this report and a list of meetings is attached in the annex.

India

5. The Indian economy is growing by 7%, inflation is at an all-time low, and there is a current account surplus. Prime Minister Modi has begun to reduce instances of corruption at the highest levels, by both increasing transparency and utilising technology (using online tendering systems). Prime Minister Modi has instigated initiatives to increase financial inclusion, this has resulted in the opening of over 120 million bank accounts and enhanced provision of insurance and pension schemes to the underprivileged.
6. India has started to progress the opening markets that previously had strict limitations on foreign participation. The Government of India has increased the FDI cap in the insurance sector, taking the threshold to 49%. This

represents a positive change and will stimulate international investment to India and provide further business opportunities for UK based insurers.

7. Banking: The Reserve Bank of India, has recently introduced differentiated bank licences and approved 11 payment banks (Reliance, Airtel, Vodafone and a host of technology and finance companies). This is the first time in the history of the RBI that it has issued differentiated bank licences. Payment banks will complement, and to some extent compete with, the universal banks in India. The RBI will also be issuing licenses for Small Finance Banks next month; the purpose is financing the under-banked Small and Medium business sector. Through the introduction of the new bank licences, the RBI is trying to reduce the risks to bank balance sheets by encouraging them to lend to small and mid-sized corporates, hoping that that this in turn will push the large corporates to tap the corporate bond market for funding. In the long run, the introduction of these new banks may reduce the priority sector lending limits for foreign banks.
8. Mumbai as an International Financial Centre: There is renewed interest in developing Mumbai as an IFC by the new Maharashtra Chief Minister, but the focus is more on developing the physical infrastructure and on the location, rather than opening up of the financial and professional services internationally. The diverse sets of regulatory framework and rules being developed for the IFCs vis-a-vis the rest of India is not conducive for the development of the IFC or the Indian financial sector.
9. Insurance: The Government of India has increased the FDI cap in the insurance sector to 49%. This represents a positive change and will stimulate international investment to India and provide further business opportunities for UK based insurers. There are capacity constraints within the Indian Insurance regulator and no efforts are being made to address this issue. This is a serious concern for the international insurance firms. The City of London recently published a working paper on: Policy and Regulatory Reforms Framework for the Indian Non Life Insurance Industry and Developing an International (Re)insurance Hub. The Policy Chairman handed over a copy of the paper to the Chief Minister of Maharashtra. Copies of the paper will be personally handed to both the Finance Minister and Minister of State for Finance by India Advisory Council members of the City Of London.
10. Legal and Professional services: The government has begun consultations on a gradual opening up of the legal services sector to foreign players with the safeguard that litigation services will remain the exclusive domain of Indian lawyers. Opening up legal services to foreign competition has been a major area of concern for Indian lawyers with Bar Council of India consistently opposing the entry of foreign lawyers into litigation. But legal services are not the only segment of professional services, where foreign players are being opposed as other self-regulatory bodies representing the chartered accountants; have also objected to any liberalisation, arguing that their services are not welcome in most other countries.

11. Taxation particularly retrospective taxation: remains one of biggest hurdles for international firms, there is very little that has changed on the ground since the new government took over.
12. Immigration and visas : The situation with visas for both businesses and students is serious. UK Visas are expensive, cumbersome and a deterrent to Indian firms, who are looking at setting up overseas operations. This applies to work visas as well as business and tourist visas. Decreasing numbers of Indian students are studying at UK universities: In 2007/8, nearly 12,000 students went to study in the UK, today that number is down to 4,000, the prime reason being the restrictions placed on student visas that prevents them from working in the UK.

Singapore

13. The Government of Singapore is strongly committed to maintaining a free and open economy. The Government of Singapore has prioritised developing Singapore as a major international financial centre, with a great deal of success. Singapore has attracted substantial investment from international financial and professional services firms, seeking to secure business from the ASEAN and wider Asia markets.
14. Singapore, like London is focusing on developing new areas of financial and professional services business, The authorities have strongly supported the development of international Renminbi (RMB) business market and are further strongly pursuing the development of Financial Technologies as the next stage of growth for the Singaporean economy.
15. Internationalisation of the RMB – this was a key topic for discussion throughout the visit, as Singapore seeks to develop its RMB denominated business lines. Development in this area has strong parallels to development in London. The Singaporean authorities are keen to diversify their RMB business base and there have been a series of innovations with the development of RMB hedging tools, including derivatives. Liquidity dropped following the opening of the Shanghai Hong Kong Stock Connect; however market conditions have bounced back. Like London there is a need for investment product development.
16. The development of Association of Southeast Asian Nations (ASEAN) – Economic Integration across the ASEAN region has slowed, the stated ambition of economic integration by the end of the year will only have succeeded in name. It is likely that a new development blueprint will be drawn up, focusing on closed economic integration by 2020. There are large opportunities across ASEAN for international financial and professional services firms, including education, training and qualifications providers.
17. China's financial markets – Throughout the visit interlocutors stated that we had reached a watershed moment in China's impact on the global economy. This was the first time that large scale volatility in China's markets had directly

affected international equity exchanges – though the response was more about challenges in the world's second largest economy and not international direct exposure to China's markets. Commentators were divided about the medium term impact of volatility; some saw that Chinese authorities would slow liberalisation, whilst others believed that the challenges would stimulate liberalisation to move towards a more market orientated economy.

18. Fintech – The Singaporean authorities are actively developing Singapore into a global FinTech centre, with policy responses including funds to encourage major financial institutions to develop FinTech incubators. Singapore is seeking to develop a 'Smart Financial city' a cross between a smart city and a FinTech centre. Opportunities exist to increase interaction between the FinTech communities in London and Singapore, the British High Commission has been working to bring UK FinTech firms to Singapore to explore business opportunities.
19. Business environment – The business environment in Singapore is tightening, with international firms commenting that it has become harder to attract global talent as a result of immigration policy. Singapore, like the UK has political challenges surrounding immigration policy.

Corporate & Strategic Implications

20. The visit to India and Singapore by your Chairman supported the vision of the City of London's 2013-2017 Corporate Plan and the strategic aim: "To support and promote The City as the world leader in international finance and business services".
21. It also met the strategic aim of the Economic Development Office to "promote the City as Europe's and the world's preeminent financial and business centre, supporting City interests in global markets, attracting inward investment and building stronger links with other parts of the UK".

Implications

22. The visit builds upon City of London high level India engagement and further built upon the Singapore engagement strategy as approved by your committee in May 2014. The visit was funded from existing local risk budgets. Travel, accommodation, hospitality and incidental expenses were in accordance with the Business Travel Scheme and totalled circa £11,500 – by combining the India and Singapore visits, efficiency savings were made.

Conclusion

23. The visit provided valuable insights into the current thinking of the City of London's key public and private sector stakeholders in India and Singapore. The City of London's efforts in supporting the development of the Indian financial sector was recognised and appreciated by Indian and UK firms, and

by the India's regulators and officials. Singapore officials were keen to further develop collaborative opportunities with the City of London in fields including the development of RMB international business and the development of the ASEAN market.

24. The City of London Corporation will continue to build upon linkages between the City and India and Singapore, for the benefit of the UK based financial and professional services industry. There was strong support for further dialogue between the UK and India and Singapore on financial sector issues, which will be followed up and included in forthcoming India and Singapore engagement.

Appendices

- Appendix – Policy Chairman's India and Singapore visit meetings: 22 – 28 August 2015

Contact:

Peter Sissons

Head of International Affairs, Economic Development Office

T: 020 7332 1020

E: Peter.Sissons@cityoflondon.gov.uk

Appendix: Policy Chairman's India and Singapore visit meetings: 22 – 28 August 2015

Monday 24 August

- Breakfast with the Bombay Stock Exchange – Ashish Chauhan, CEO and Nehal Vora, Chief Regulatory Officer
- Attend the Federation of Indian Chambers of Commerce and Industry (FICCI) and Indian Banks' Association (IBA) Conference
- Lunch with Deepak Parekh, Chairman of Housing Development Finance Corporation
- Chief Minister of Maharashtra meeting – in association with Mumbai First
- Meeting with the Reserve Bank of India R. Gandhi, Executive Director, RBI
- Meeting with V.S. Parthasarathy Group Chief Financial Officer , Group CIO, President - Group Finance and M&A-Mahindra Group
- Dinner with Advisory Council for India members

Tuesday 25 August

- Breakfast meeting with Ajay Srinivasan, Chief Executive, Financial Services & Director – Corporate Strategy & Business, Aditya Birla
- Meeting with R Chandrasekaran Secretary General, General Insurance Council of India
- CFA – City of London Roundtable and working lunch - *Role of Financial Deepening in India for Stability and Growth*
- Meeting with SEBI - Mr Rajeev Kumar Agarwal, Wholetime Member SEBI
- London & Partners and City of London Dinner meeting with Ambit Capital –Ashok Wadhwa Group CEO of Ambit Holdings, Rahul Gupta, Joint Group CEO of Ambit Group, Saurabh Mukherjea CEO, Institutional Equities

Wednesday 26 August

- Lunch with key financial and professional services stakeholders, Hosted by the British High Commissioner
- Meeting with Steven Billiet, Chief Executive Officer, J.P. Morgan Asset Management (Singapore) Ltd
- Meeting with Lloyd's Singapore - Kent Chaplin, Lloyd's General Representative, Singapore and Pavlos Spyropoulos, Market Development Manager
- Dinner with Andrew Naylor, Cicero

Thursday 27 August

- Meeting with Manju Dalal India Editor, IFR Thomson Reuters
- Meeting with Ho Kok Yong, Financial Services Industry Leader for Southeast Asia and Singapore and Ms Giam Ei Leen, Partner of Financial Services, Deloitte
- Meeting with Mr Peter Ong, Permanent Secretary of the Ministry of Finance
- Lunch with Ms Guo Ningning, General Manager of the Bank of China – Singapore
- Meeting with the senior management team of CME, Asia, Alan Bannister - Exec Director, Energy Products, Ravi Pandit - Exec Director, Interest Rate & FX Products, Yvonne Zhang - Director, Metals Products
- Meeting with Assistant Managing Director (Development and International) Mr Leong Sing Chiong, Monetary Authority of Singapore
- Meeting with Paul Landless, Partner, Clifford Chance