Syllabus subtopic: Important International Institutions, agencies and fora - their Structure, Mandate.

Prelims and Mains focus: about G20, steps taken by India to deepen corporate bond market and attract foreign portfolio investment (FPI)

News: The Finance Ministers and Central Bank Governors’ meeting is being held in Riyadh under Saudi Arabia’s G20 presidency for the first time.

Highlights of the meeting

- Finance Minister of India called for closer collaboration between international revenue agencies to investigate tax affairs of offenders who cross borders for escaping tax investigation.

- With regard to infrastructure development, the FM suggested G20 nations to refrain from developing any common prescriptive approach since different countries are at varied stages of adoption of technology in infrastructure.

- Participating in a session on Financial Resilience & Development, the FM highlighted steps taken by India to deepen corporate bond market and attract foreign portfolio investments in the private debt and government securities market.

What are those steps taken by the Indian government?

- In the Union Budget 2020-21 announced on February 1, the FM had announced several steps to widen and deepen the corporate bond and the government securities market.

- The Centre substantially raised investment limit for foreign portfolio investors (FPIs) to 15 per cent of the outstanding stock of corporate bonds from 9 per cent earlier in the Budget.
The Reserve Bank of India had last December raised FPI investment limits in G-sec as well as short-term bonds. The government also proposed to formulate a law for expanding the credit default swaps market.

The Centre also proposed to float a new debt exchange-traded fund (ETF) that will comprise of government securities (G-sec), to enable retail investors — who are so far not investing much in the G-sec market — buy a basket of government bonds through the units in the proposed debt ETF in a seamless manner.

About G20

• The G20 is an annual meeting of leaders from the countries with the largest and fastest-growing economies. Its members account for 85% of the world’s GDP, and two-thirds of its population.

• The G20 Summit is formally known as the “Summit on Financial Markets and the World Economy”.

• Members: Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey, the United Kingdom, the United States and the European Union.

• Establishment: After the Asian Financial Crisis in 1997-1998, it was acknowledged that the participation of major emerging market countries is needed on discussions on the international financial system, and G7 finance ministers agreed to establish the G20 Finance Ministers and Central Bank Governors meeting in 1999.