Rohit Jain: Building deep and resilient financial markets for a Viksit Bharat

Keynote address by Mr Rohit Jain, Deputy Governor of the Reserve Bank of India, at the Financial Institutions Leadership conference, organised by the Standard Chartered Bank, Mumbai, 24 July 2026.

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Mr. C.S. Setty, Chairman, State Bank of India, Mr P D Singh, CEO, Standard Chartered Bank, India & South Asia, distinguished guests, senior leaders from across the financial sector, ladies and gentlemen.

It is a pleasure to join you this evening. I thank Standard Chartered Bank for the invitation extended to me and for bringing together such a wide cross-section of institutions that participate in, intermediate, and shape India's financial markets.

We often measure progress of financial markets through visible indicators-market size, trading volumes, new products, new participants and international recognition. These are important. But they do not tell us the whole story. The real test is whether markets can convert scale into productive financing, liquidity into reliable price discovery and innovation into effective risk management. Above all, can markets continue to perform when conditions become difficult?

This question is particularly relevant today as India aspires to become a developed economy by 2047. We usually describe that aspiration in terms of infrastructure, manufacturing, urbanisation, technology, the energy transition and human capital. Yet behind every one of these ambitions lies a financing question: Where will the long-term capital come from, and how will the risks generated by a larger and more globally connected economy be managed?

India has traditionally relied on a bank-led financing model. That model has served the economy well. However, the scale, tenor and diversity of financing required for Viksit Bharat cannot be met through bank balance sheets alone. It will require a stronger complement of market-based finance-government and corporate bond markets for long-duration capital, and deeper foreign exchange and derivative markets for pricing and distributing risk.

Against this backdrop, I would like to explore one central question this evening:

What kind of financial markets must India build over the next two decades to support its economic ambitions and strengthen its place in the global financial system?

I would like to approach this question through three propositions:

- First, India's economic ambitions require its financial markets to mobilise substantially more long-term capital and distribute risk more efficiently.

- Second, the next challenge is not merely to make our markets larger, but to make them deeper, broader and more resilient.
- Third, this transformation cannot be delivered by the regulator alone. It requires coordinated effort across the financial-market ecosystem.

Mobilising capital and distributing risk

Let me begin with the first proposition: India's economic ambitions require its financial markets to mobilise substantially more long-term capital and distribute risk more efficiently.

India does not begin this journey from a standing start. Over the past three decades, our financial markets have undergone a significant transformation. We have moved from administered interest and exchange rates and captive financing arrangements towards market-determined pricing, auction-based government borrowing, modern benchmarks, and sophisticated trading, clearing and settlement infrastructure.

Our government securities market now provides the pricing backbone for rupee financial assets. Money, foreign exchange and derivative markets have expanded substantially. The investor and participant base have progressively widened, while the inclusion of Indian government securities in global bond indices has marked an important step in the integration of our markets with global capital.

This progress reflects India's calibrated approach to market development-combining greater openness and innovation with macroeconomic stability, resilient institutions and robust market infrastructure.

The demands of the coming decades will, however, be substantially greater. India will require long-term capital for infrastructure, manufacturing, urban development, technology and the expansion of Indian enterprises, both domestically and internationally. The scale and tenor of these requirements make it important to broaden the channels through which savings are converted into investment.

At the same time, the pattern of domestic savings is evolving. Alongside bank deposits, a growing pool of household savings is being channelled through insurance, pensions, mutual funds and other market-linked instruments. Well-functioning financial markets can connect these long-term savings with long-term investment needs.

This is where different segments of the market perform complementary functions. Government securities markets finance public investment and provide a benchmark for pricing other rupee assets. Corporate bond markets connect long-term savings with private investment. Money markets strengthen monetary transmission and liquidity management. Foreign exchange and derivative markets allow businesses, financial institutions and investors to manage risks rather than avoid economically valuable opportunities.

Market development is, therefore, not an agenda confined to treasuries or dealing rooms. It has a direct bearing on the cost and availability of capital across the economy.

A wider range of enterprises must also progressively gain access to market-based finance. This cannot be achieved merely by introducing new instruments or encouraging investors to assume more risk. It requires investors with the capacity to differentiate and price credit risk, reliable recovery mechanisms, and markets through which such risk can be managed and redistributed.

Deeper markets would also enable financing risks to be shared across a wider and more diverse set of participants, rather than remaining concentrated on the balance sheets of a limited number of intermediaries.

In sum, the financial markets required by a developed economy must be built before the economy reaches developed status-not afterwards. This will require more than an increase in issuance or trading volumes. It brings me to my second proposition: moving from scale to depth.

From Scale to Depth

The next challenge is not merely to make our markets larger, but to make them deeper, broader and more resilient. Market size tells us how much activity exists. Market depth tells us how effectively the market performs.

A market may be large in terms of outstanding stock, but still have limited trading. It may record substantial issuance, but offer little secondary-market liquidity. It may permit a wide range of products, but see activity concentrated in only one or two instruments.

Access is not the same as participation. Permission does not by itself create liquidity. The existence of a product does not necessarily mean that a market has developed around it.

One could assess market depth through three broad tests that attempt to capture a distinct but complementary dimension of depth:

- the quality of liquidity and price discovery;
- the ability to distribute risk; and
- the resilience of markets across participants and market conditions.

Let me take each of these in turn.

The first test is the quality of liquidity and price discovery.

Our government securities market has grown considerably and provides the pricing backbone for other rupee financial assets. For the sovereign yield curve to perform this role fully, however, reliable prices and reasonable liquidity must extend beyond a limited number of benchmark securities and maturities. A yield curve is only as useful as the price discovery that supports it.

The same principle applies at the shorter end. Our overnight money markets are active and transmit changes in the policy rate efficiently. Beyond the overnight segment, however, term activity remains modest. A deeper term money market would strengthen benchmark formation, improve the pricing of financial instruments and support more effective management of interest-rate risk. In view of this, the RBI has recently issued guidelines to further expand participation in the term money market.

The corporate bond market presents another dimension of the same challenge. Primary issuance has grown, particularly among highly rated issuers. The next stage must involve greater secondary-market liquidity and more continuous differentiation and pricing of credit risk.

The objective is not trading for its own sake. Secondary-market liquidity gives investors greater confidence that they can adjust their exposures when required. It improves price discovery, reduces the cost of entry and exit, and can support participation by a wider range of issuers and investors. Put simply, issuance creates financial assets; liquidity helps create a market around them.

The second test is the ability to distribute risk efficiently.

As the economy becomes larger and more globally connected, the volume and variety of interest-rate, currency and credit risks will also increase. Deep markets allow these risks to be separated from the underlying financing and transferred to participants that are willing and able to bear them.

Our interest-rate and foreign exchange derivative markets have expanded, but activity remains concentrated in a limited range of products and tenors. Credit-derivative markets are still developing. Their progress will require an enabling regulatory framework, appropriate accounting and capital treatment, reliable infrastructure and, importantly, active participation by market institutions. RBI's recent reforms covering introduction of Total Return Swaps, Futures on credit indices and extended Credit Default Swaps (CDS) mark an important step in deepening India's credit derivative market by enhancing risk transfer, improving price discovery, and broadening the toolkit available for efficient credit risk management.

The aim should not be to replicate every instrument available in other jurisdictions. New products must respond to genuine economic needs and enable businesses, investors and intermediaries to manage identifiable risks more effectively.

Complexity, however, should not be mistaken for sophistication. A product does not contribute to market development if its risks are not adequately understood by the customer, if its value cannot be independently assessed, or if its behaviour under different market conditions is unclear. Past episodes involving the sale of exotic derivative products to smaller enterprises demonstrated how quickly losses on poorly understood products can undermine confidence-not only in the product, but also in the institution offering it and in the market itself.

Product innovation must, therefore, be accompanied by appropriate suitability and risk-assessment processes, transparent disclosure, fair pricing and the capacity of users to understand and manage the exposures they assume. The purpose of innovation should be to make risk more manageable, not less visible.

Market development cannot be achieved merely by permitting a product. It requires participants to build expertise, quote prices, transact and provide liquidity. But sustainable liquidity can emerge only where products serve genuine needs and users have confidence in how they are designed, priced and sold.

A developed economy cannot depend on underdeveloped risk markets. Equally, a developed market cannot be built on products whose risks are not understood by those who use them.

The third test is the diversity and resilience of participation.

Deep markets require participants with different balance sheets, investment horizons, risk appetites and views. Where participants have similar mandates and respond to developments in the same manner, markets can become one-sided precisely when liquidity is most needed.

Participation must also be meaningful. Access to a market is only the starting point. Institutions must have the expertise, systems and risk-management capacity to transact actively, provide liquidity where appropriate and manage the exposures they assume.

The resilience of a market is ultimately tested when conditions become difficult. A deep market is not one in which prices never move sharply, or participants never incur losses. It is one in which credible prices continue to emerge, transactions remain possible, and risks can be transferred without disorderly disruption.

Building markets with these characteristics cannot be the task of the regulator alone. This brings me to my third proposition: it requires coordinated effort across the financial-market ecosystem.

Market Development: a Shared Responsibility

The role of the regulator is to provide a clear, proportionate and predictable framework within which markets can develop. This includes removing unnecessary barriers, enabling products that serve genuine economic needs, supporting reliable market infrastructure and ensuring that innovation does not come at the cost of stability, transparency or customer protection.

Regulation must also evolve with the market. This requires continued engagement with participants, a willingness to review whether existing rules remain fit for purpose and reasonable time for institutions to build the systems and capabilities needed to implement change. At the same time, the pursuit of market development cannot dilute prudential standards or weaken safeguards against misconduct.

An enabling framework is only the beginning. Liquidity cannot be created through regulation, nor can participation be mandated into becoming meaningful. Market institutions must invest in the capabilities required to quote prices, assess risks, manage inventories and remain active across market conditions.

Your institutions therefore have a particularly important role. You are not merely users of markets; you are also intermediaries through which markets acquire depth. Your willingness to provide liquidity, develop expertise and support a wider range of issuers and investors will determine whether permitted products become functioning markets.

This responsibility extends to product design and distribution. Institutions must ensure that products address genuine customer needs, that risks are explained clearly and that pricing is fair and transparent. Sustainable market development depends on confidence, and confidence is difficult to build but easily lost.

Issuers and investors also have responsibilities. Issuers must provide timely and reliable information and maintain high standards of governance and disclosure. Investors, in turn, must strengthen their capacity to evaluate risk independently rather than rely mechanically on external ratings or prevailing market sentiment.

Market infrastructure institutions must continue to provide systems that are robust, transparent and capable of supporting growth without compromising operational resilience. Industry bodies can contribute by developing common standards, improving market practices and identifying frictions that inhibit participation.

Foreign and domestic institutions bring different strengths to this process. Institutions with experience across markets can contribute expertise, innovation and risk-management practices, while remaining attentive to local conditions and customer needs.

Thus, while the regulator can create the conditions for markets to develop, it is the market participants who must convert that opportunity into liquidity, capability and trust. The quality of India's financial markets will ultimately reflect the collective choices made across the ecosystem.

Conclusion

To conclude, as India moves towards 2047, we must build markets that are equal to the scale of its ambitions. They must channel savings into productive investment, enable risks to be priced and distributed efficiently, and serve businesses and investors with transparency and fairness. Above all, they must command confidence-not only when conditions are favourable, but also when markets are tested. Regulation can endeavour to create the conditions for such markets, but participants must provide the capability, liquidity and conduct that sustain them.

With this, let me thank Mr P D Singh once again for inviting me to be with you today, and wish you a very engaging evening ahead. Thank you.

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[1] Keynote address delivered by Deputy Governor Rohit Jain at the Financial Institutions Leadership Conference organised by the Standard Chartered Bank in Mumbai on July 24, 2026