

Keynote address by Shri Ashwani Bhatia, Whole-time Member, Securities and Exchange Board of India, at the Launch of the Municipal Bonds Website at the National Stock Exchange on March 21, 2025

Ladies and Gentlemen, Namaskar and a very good morning to all of you. It is a privilege to stand before you today on the occasion of the launch of the Municipal Bond Website, an initiative that marks a transformative leap forward in transparency, accessibility and efficiency in India's municipal bond market. This launch is not merely about introducing a new platform, it is about strengthening investor confidence, empowering municipalities and fostering a more vibrant municipal debt market. I extend my sincere appreciation to the National Stock Exchange (NSE) for spearheading this initiative, which will serve as a comprehensive repository of information for investors, issuers, financial professionals, and policymakers alike.

Today, I would like to share my thoughts on growing importance municipal bonds as they play a pivotal role in financing critical infrastructure for urban development.

The role of Municipal Bonds in India's growth

India is on the path of urbanisation at an unprecedented pace. It is estimated that by 2047, nearly 50% of India's population will live in urban areas which will lead to growing demand for self-sustaining, market-driven financing mechanisms for infrastructure projects such as roads, water supply, sanitation, public transport, smart cities and climate-resilient projects.

This is where Municipal bonds play a pivotal role as they provide an independent source of funding for cities, reducing the financial burden on state and central governments.

Additionally, Municipal bonds provide a new investment avenue for insurance companies, pension fund, mutual fund and retail investors by offering stable, long term returns.

A well-functioning municipal bond market contributes to expanding India's broader bond market, attracting both domestic and foreign investors.

Globally, municipal bonds have been a cornerstone of local government financing for decades, particularly in markets such as the United States, where they support large-scale urban infrastructure projects. In India, we are witnessing encouraging momentum, with several municipalities successfully raising funds through bond issuances. However, there

remains significant untapped potential that we, as regulators and market participants, must unlock.

Some milestones in India's Municipal Bond Market

Ladies and gentlemen, today's launch builds upon a strong foundation of achievements in the Indian municipal bond market. Let me highlight some key milestones in the recent years especially with respect to the municipal green debt securities that have shaped this ecosystem:

- In 2021, Ghaziabad Municipal Corporation issued **India's first green municipal bond**.
- The success of the green bond was further reinforced in 2023 when Indore Municipal Corporation made India's **first public issue** of municipal green bonds.
- Taking the momentum forward, in 2024, Vadodara Municipal Corporation issued **Asia's first certified** green municipal bond.

The Need for a Centralized Information Platform

Despite these successes, the key challenge that has historically hindered the growth of municipal bonds in India is access to reliable, structured, and transparent market data. Investors require transparency, market data, and regulatory clarity to make informed investment decisions.

The Municipal Bonds Website launched today is a major step towards bridging this gap. This platform will provide:

- Issuer-wise Outstanding Amounts: Enabling investors to assess credit exposures across different municipal corporations.
- Bond Pricing and Trading Volumes: Enhancing price discovery and secondary market liquidity.

By bringing this wealth of data into the public domain, the platform will enhance transparency, improve investor confidence, and deepen market participation. Also, with this platform, municipalities will gain visibility, investors will have data-driven insights, and the market will move towards a more structured and efficient ecosystem.

SEBI's Commitment to Strengthening the Municipal Bond Ecosystem

At SEBI, our focus has been on developing a robust regulatory framework to facilitate municipal bond issuances while ensuring investor protection. Over the years, we have introduced:

- Stronger disclosure norms to improve financial transparency and creditworthiness assessments.
- Standardized frameworks for credit rating agencies to assess municipal bond risks effectively.
- Measures to promote green and sustainable municipal bonds, in alignment with India's broader environmental and sustainability goals.
- Efforts to enhance secondary market liquidity, ensuring a vibrant trading ecosystem for municipal bonds.

However, while we have made progress, further work remains in expanding issuer participation, improving credit enhancement mechanisms, and ensuring widespread investor awareness.

A Collaborative Effort for Market Development

The success of the municipal bond market requires a collaborative effort across multiple stakeholders:

- Municipal corporations must embrace bond financing as a strategic tool for infrastructure development.
- Investors—including retail, institutional, and foreign participants—must recognize municipal bonds as a viable fixed-income investment class.
- Market intermediaries—rating agencies, investment advisors, and exchanges—must work towards enhancing market accessibility and transparency.

We encourage urban local bodies to leverage this platform as a trusted source of market intelligence and engage proactively in municipal bond issuances. We also urge investors to use this website as a one-stop solution for data-driven investment decisions.

Conclusion: A Vision for the Future

The launch of the Municipal Bonds Website is not just a technological achievement—it is a foundational step towards an integrated, transparent, and efficient municipal bond market.

As we move forward, SEBI remains committed to strengthening regulatory frameworks, fostering innovation, and facilitating capital flows to urban infrastructure.

I would like to commend the NSE team for their efforts in bringing this initiative to life and express my gratitude to all stakeholders who are playing a role in the growth of India's municipal bond ecosystem. With this, I am confident that we are paving the way for a stronger, more resilient, and globally competitive municipal bond market in India.

Thank you.
