

Masala Bonds

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Why was it in the news?

- Asian Development Bank (ADB) has listed its 10-year masala bonds worth Rs 850 crore on the global debt listing platform of India INX.

What are Masala Bonds?

- Masala Bonds are rupee-denominated borrowings issued by Indian entities in overseas markets.
- The objective of Masala Bonds is to fund infrastructure projects in India, fuel internal growth via borrowings and internationalise the Indian currency.

Who can issue these bonds?

- The bond can be issued in a country and subscribed by a resident of such a country that is a member of the Financial Action Task Force and whose securities market regulator is a member of the International Organisation of Securities Commission.
- It can also be subscribed by multilateral and regional financial institutions where India is a member country.
- The first Masala bond was issued in 2014 by IFC for the infrastructure projects in India.

How does Masala Bonds help bond issuers?

- As Masala bonds are issued directly in Indian rupees, the investor needs to bear the exchange rate risks.
- Rupee rate falls will not affect the issuer of Masala Bonds. In simpler words, as Masala Bonds are rupee-denominated bonds, the risk goes directly to the investor.

