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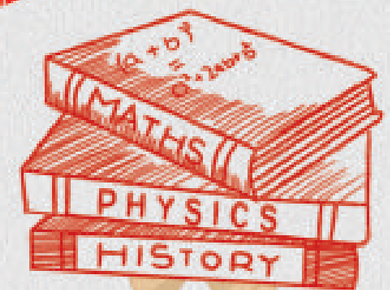
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CHAIRMAN

MESSAGE

I AM PLEASED TO KNOW ABOUT THE ENDEAVOURS OF THE BOMBAY STOCK EXCHANGE BROKERS' FORUM.

PLEASE ACCEPT MY CONGRATULATIONS ON YOUR ACHIEVEMENTS IN PAST YEARS AND MY BEST WISHES TO ALL THE MEMBERS FOR SUCCESS IN THEIR CONTINUED ENDEAVOURS IN THE COMING YEARS.

Ratan N Tata

RATAN N. TATA

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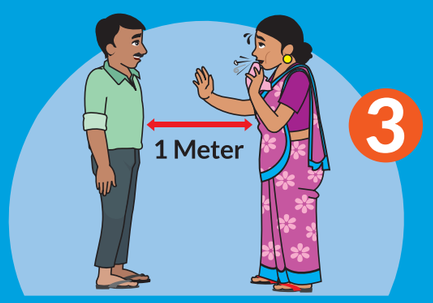
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Wash hands with soap and water frequently



When coughing and sneezing, cover mouth and nose with handkerchief, tissue or elbow



Avoid close contact with anyone with cold, cough or flu like symptoms



If you have cough, fever or difficulty in breathing, contact a doctor immediately

Stay protected! **Stay safe from Coronavirus!**

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If you have returned from China in the last 15 days or have been in contact with any person affected by Coronavirus, then limit your contact with others and use a separate room for sleeping

If you develop fever, cough and difficulty in breathing within 28 days of return from China, immediately call the Ministry of Health and Family Welfare Helpline

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Reliance
Industries Limited

March 4, 2020

MESSAGE

Clear and intelligent communication is a vital part of all human endeavour. Congratulations to Forum Views team for carrying out this task competently in the field of capital markets, and best wishes for many more anniversaries in future.

B. Srinivasan
President, Chairman's Office,
Reliance Industries Limited

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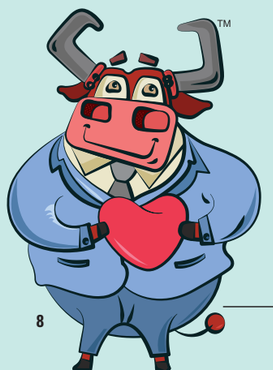
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Chairman's MESSAGE

Dear fellow stakeholders of the Capital Markets in India and throughout the world,

It is once again my proud privilege to reach out to you through this beautiful publication curated by the executive team at BBF. I hope you will enjoy reading the same.

Our members, our regulators, the market infrastructure institutions, the government authorities and our international counterparts continue to shower us with their affection and blessings. This is deeply humbling and a responsibility that we carry with care.

We continue to work for our stakeholders

- For the policy makers with our inputs.
- For our investors by our education initiatives.
- For our members through reach outs and programs.
- For our international friends via our connect through international multilateral bodies and bilateral initiations.

Indeed, this new financial year is preceded by an upheaval in the markets. The veterans of the market have the benefit of centuries of experience and understand that this too shall pass, and the markets will find its equilibrium. It is imperative to not let our emotions supersede rationality.

We at BBF wish all the readers financial prosperity and good health. We shall continue to work for the benefit of the capital markets at large and our members in particular.

Warm Regards,

Uttam Bagri

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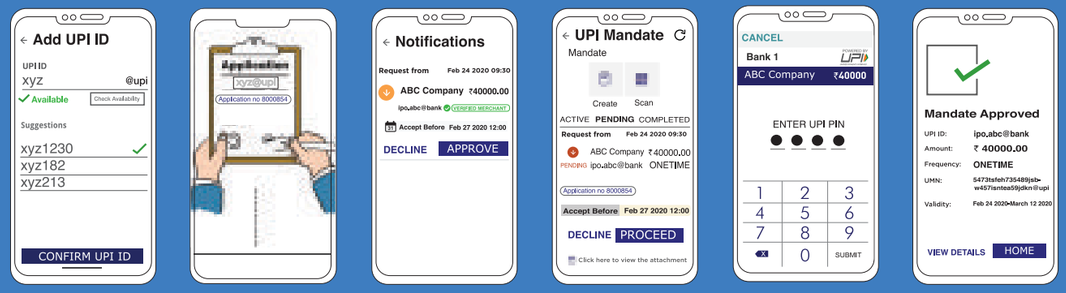




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Rajendra Pandere
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Dear **Readers**,

Welcome to the **9th Annual Edition** of the award-winning Capital Markets and Lifestyle Magazine **FORUM VIEWS**.

As it is aptly crooned by the popular, legendary playback singer, the Late Mr. Mukesh Chand Mathur in his renowned song "Ek din bikjayega, mateeke mol, Jag me reh jayenge pyare tere bol" enunciates that we all come and go, but the narratives which are scripted in the books, magazines and publications remain immortal and endure knowledge and know-how for generations to come. FORUM VIEWS is one such humble manifestation of the above thought.

The magazine is born from today's thriving financial markets and it embraces industry focus thoughts on economy, research, global perspectives, reshaping business dynamics, regulatory assistance, features, insights: financial prosperity, teach for India, entrepreneurs of young India, philosophy, image & style, fitness, wellness, and amazing destinations.

This 2020 Annual Edition is a comprehensive guide, which consists of commentaries on vital aspects relevant to todays' world, written specially for the FORUM VIEWS, by influential individuals, leaders, trendsetters, visionaries, thinkers, entrepreneurs, tycoons, icons and role models with a wonderful alliance of natives and world's writers, who organise and animate an almost overwhelming plethora of insights, like new words finding breath.

"This edition is simply one of the rhizomes of shared practices of co-operative spirit - a living tribute to the Bombay Stock Exchange Brokers' Forum (BBF) philosophy of One World One BBF "Vasudahav Kutumbakam" that is whole world is one family."

We indeed hope to continue to serve our readers ranging from trading members to regulators to the finance ministry and to market infrastructure institutions, trade bodies, global associations as well as corporates and business schools, as not only a handbook but as an inspiration and invaluable resource to the publishing faithful, who's new daring ideas are poised to appear in future editions.

Team | Bombay Stock Exchange Brokers' Forum (BBF)



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APRIL TO DECEMBER - 2019				
BASE METAL	TOTAL TRADED VOLUME (MT)*	AVG. DAILY VOLUME (MT)	AVG. DAILY OPEN INTEREST (MT)	STOCKS DELIVERED (MT)
Aluminium	46,10,699	23,890	19,549	22,881
Copper	82,32,294	42,654	17,397	11,675
Lead	105,41,695	54,620	18,774	2,077
Nickel	25,84,587	13,392	2,735	681
Zinc	199,56,581	103,402	27,204	14,344

*cumulative

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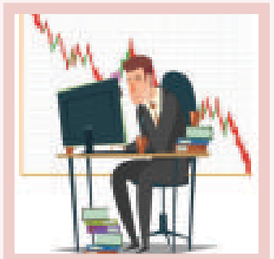
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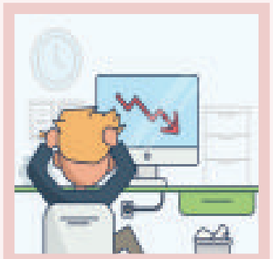
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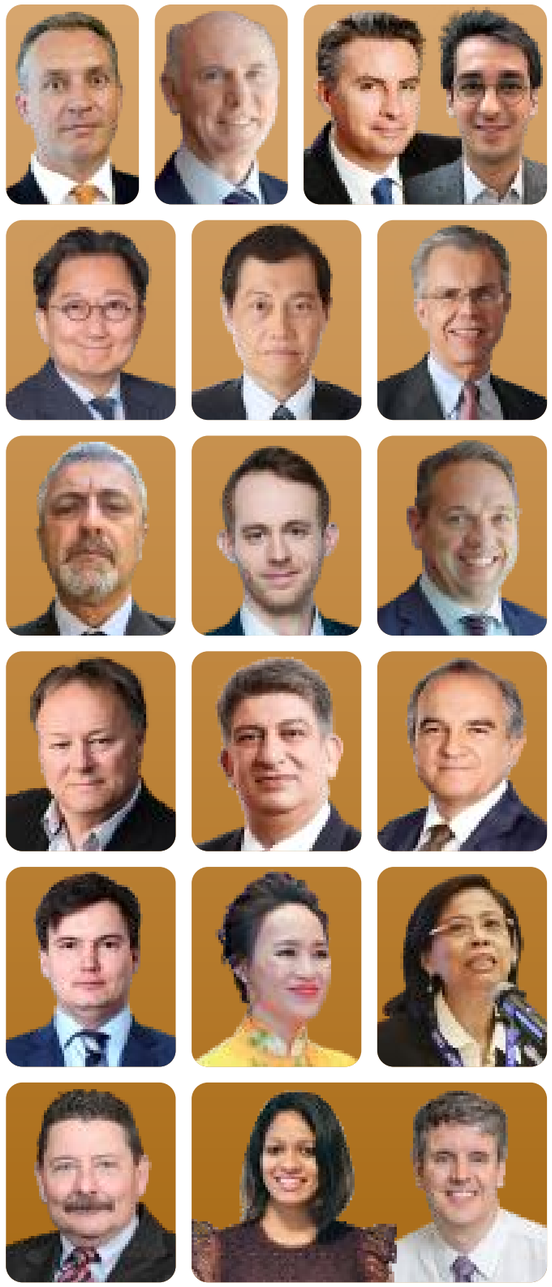
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To know more, please visit: www.cdslindia.com

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LSEG	London Stock Exchange Group
ICSA	International Council of Securities Associatons
ICMA	International Capital Market Association
ASIFMA	Asia Securities Industry & Financial Markets Association
JSDA	Japan Securities Dealers Association
AFME	Association for Financial Markets in Europe
ASSOSIM	Italian Association of Financial Markets Intermediaries
AMAFI	The Association française des marchés financiers
AFMA	Australian Financial Markets Association
NZFMA	New Zealand Financial Markets Association
TCMA	Turkish Capital Markets Association
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*AUC USD 560 Billion (as on 31st December' 2019)

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Award Sources: Business Excellence Awards (Order Of Merit) (Source: Skoch Corporate Excellence Awards 2019), Premier Depository Participant (Gold Category) (Source: CDSL Awards 2019), Best Performing Retail Broker(North) (Source: NSE Awards), Company of the Year (Financial Services) (Zee Business Awards 2018), Corporate Brokerage House of the year (Source: MCX Awards 2018).

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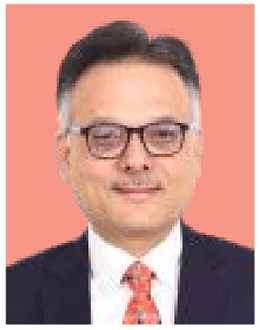




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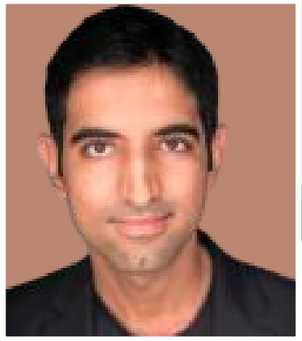
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Depository Participant SEBI Registration No.: NSDL - IN-DP-NDSL-358-2012, CDSL - IN-DP-CDSL-676-2012. SEBI PMS - INP000004433, SEBI Research Analyst - INH000001345 , SEBI Investment Adviser - INA000004518, SEBI Merchant Banking – INM000012458, AMFI - ARN – 1133

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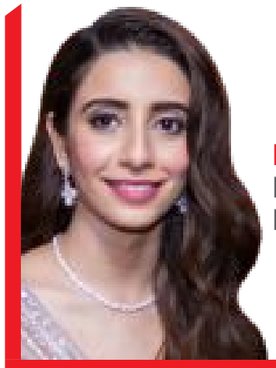
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CONDUCTED BY BBF TOR THE PROGRESS OF STAKEHOLDERS OF CAPITAL MARKETS
APRIL 2019 - MARCH 2020

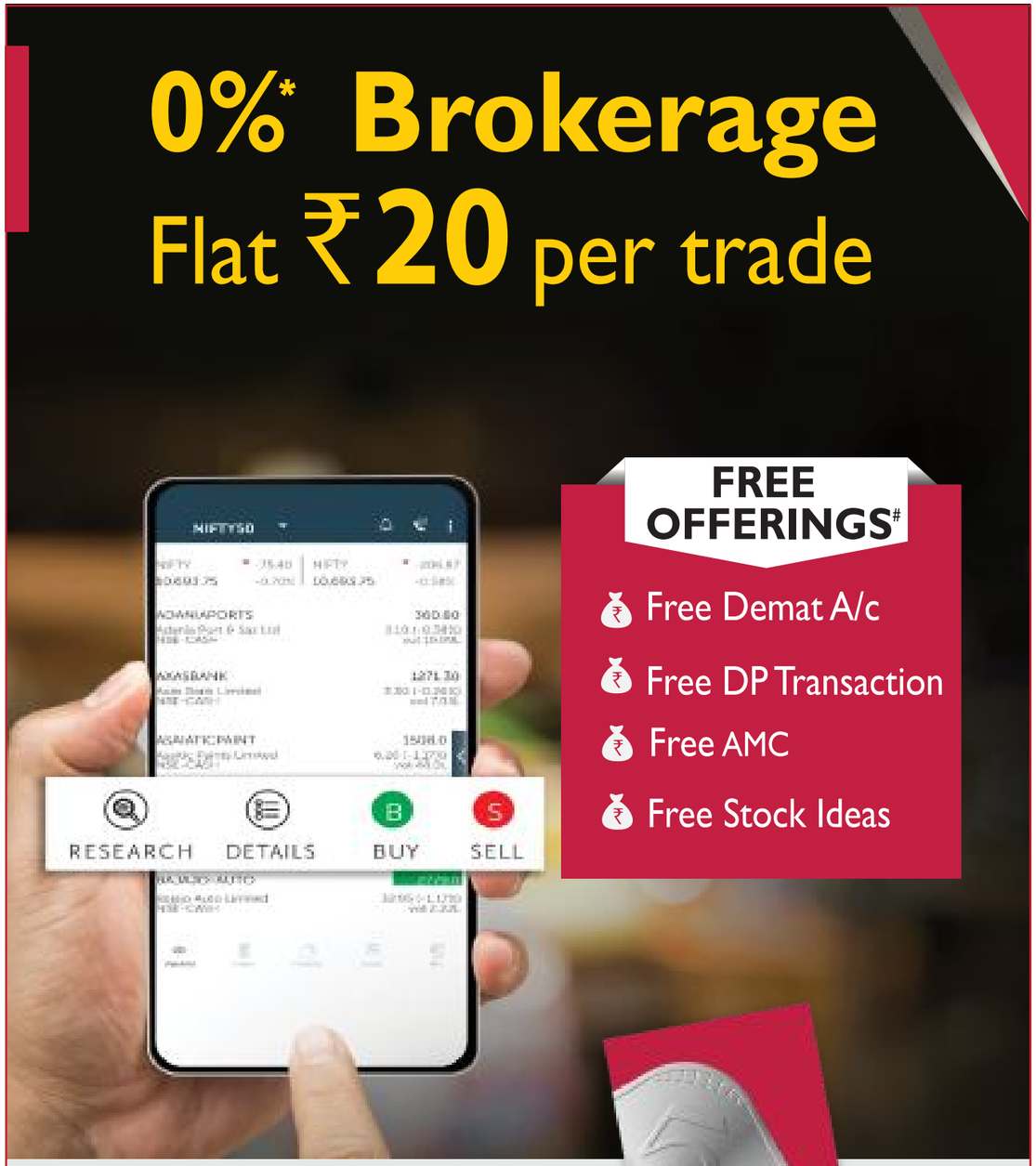
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*BOMBAY STOCK EXCHANGE BROKERS' FORUM (BBF) MEMBERSHIP PRESENCE AT ALL INDIA LEVEL & GROWING...

STATE	CITY	MEMBERS
DELHI		46
BIHAR	PATNA	1
ANDHRA PRADESH	VISAKHAPATNAM	1
	VIJAYAWADA	1
	RAJAHMUNDRY	1
HARYANA	FARIDABAD	1
	GURGAON	4
	GURUGRAM	2
	HISAR	3
CHHATTISGARH	BHILAI	2
	RAIPUR	1
DADRA NAGAR HAVELI	SILAVASSA	1
GUJARAT	AHMEDABAD	39
	BARODA	1
	BHAVNAGAR	3
	NADIAD	1
	PALANPUR	2
	PATAN	1
	RAJKOT	10
	SURAT	11
	UNJHA	1
	VADODARA	4
	BARDOLI	1
JAMMU & KASHMIR	SRINAGAR	1
JHARKHAND	JAMSHEDPUR	1
KARNATAKA	BANGALORE	19
KERALA	KOCHI	3
	THIRUVANANTHAPURAM	1
	THRISSUR	2

STATE	CITY	MEMBERS
MADHYA PRADESH	BHOPAL	4
	INDORE	9
	JABALPUR	3
	KATNI	1
	UJJAIN	1
MAHARASHTRA	MUMBAI	506
	JALNA	2
	PUNE	9
PUNJAB	JALANDHAR	2
	CHANDIGARH	1
	LUDHIANA	2
	HOSHIARPUR	2
	MOGA	1
RAJASTHAN	BIKANER	1
	CHITTORGARH	2
	JAIPUR	6
	JODHPUR	3
TAMILNADU	CHENNAI	22
	COIMBATORE	1
	TRICHY	1
TELANGANA	HYDERABAD	16
UTTAR PRADESH	GORAKHPUR	1
	KANPUR	2
	LUCKNOW	2
	MORADABAD	1
	NOIDA	2
	VARANASI	1
WEST BENGAL	KOLKATA	53
	TOTAL	**822**



*Membership subscription as per data 2019-2020

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Confederation of Indian Industry

ABCI Association of Business Communicators of India

FICCI

Indian Merchants' Chamber

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GLOBAL

Asia Securities Forum

IFIE International Forum for Investor Education

ICMA International Capital Market Association

ICSA International Council of Securities Associations

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FinX

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DPU

Rabindranath TAGORE UNIVERSITY

SRLIM

UKA TARSADIA university

* Logo placement in alphabetical order

(Glimpse) LETTERS TO THE SECURITIES AND EXCHANGE BOARD OF INDIA

Subject	Date sent on
SEBI Circular on 19-Nov-2019 Severe impact in designing client service experience by stockbrokers	26-Dec-19
System Audit of Stock Brokers for cyber security compliances Differential norms selection	5-Sep-19
Representation on records of placing orders by clients	5-Sep-19
Bombay Stock Exchange Brokers Forum (BBF) Investor Education activities Messaging through cartoon scripts	5-Sep-19
Concerns of SEBI's circular on Handling of client's securities date June 20, 2019	29-Aug-19
Off-market transfers reason codes in the Depository System Decisions of the surveillance meeting at SEBI	26-Jul-19

(Glimpse) LETTERS TO OTHER INDUSTRY BODIES

Subject	Date sent on	Representation To
Request for Meeting with delegation of Stock Broker association representatives	13-Dec-19	Central Board of Direct Taxes (CBDT) and Shri Amit Shah (Union Home Minister)
Concerns on default by Stockbrokers and misuse of client assets (funds and securities) Suggestions of the Bombay Stock Exchange Brokers' Forum (BBF)	04-Dec-19	Ministry of Finance
Request for Meeting with delegation of Stock Broker association representatives	13-Dec-19	Ministry of Home Affairs, Government of India
Request for Meeting with delegation of Stock Broker association representatives	13-Dec-19	Central Board of Direct Taxes (CBDT)
Request for waiver of 5% penalty on non-defaulting Clearing Members	17-Oct-19	National Commodity Clearing Limited (NCCL)
Information w.r.t. outstanding loans from NBFCs made through off - market transfers	16-Sep-19	BSE Limited
Representation on records of placing orders by clients	6-Sep-19	Ministry of Finance, Govt of India

Seminars | Events | Camps

Sr. No.	Seminar/Event	Day & Date	Venue	Location	In Collaboration
1	All India Seminar on Surveillance Measures including GSM/ASM	Friday, 5 April	Indian Chamber of Commerce	Kolkata	BSE Ltd.
2	All India Seminar on Surveillance Measures including GSM/ASM	Tuesday, 16 April	Country Club Hospitality & Holidays Limited	Hyderabad	BSE Ltd.
3	All India Seminar on Surveillance Measures including GSM/ASM	Friday, 26 April	Arkay Convention Center	Chennai	BSE Ltd.
4	Seminar on operational aspects of interoperability between Clearing Corporations	Monday, 6 May	BSE International Convention Hall	Mumbai	ICCL
5	All India interactive session on FATCA and CRS compliances	Thursday, 9 May	BSE International Convention Hall	Mumbai	NA
6	All India interactive session on FATCA and CRS compliances	Thursday, 9 May	Arkay Convention Center	Chennai	NA
7	All India interactive session on FATCA and CRS compliances	Wednesday, 15 May	BSE Regional Office	Delhi	NA
8	All India interactive session on FATCA and CRS compliances	Thursday, 16 May	Ahmedabad Management Association	Ahmedabad	NA
9	All India Seminars on Cyber Security & Cyber Resilience framework for Stock Brokers / Depository Participants	Thursday, 16 May	BSE International Convention Hall	Mumbai	BSE Ltd.
10	All India interactive session on FATCA and CRS compliances	Friday, 17 May	Marwadi Financial Plaza	Rajkot	NA
11	Seminar on Stock Broking post interop a back-office and compliance perspective	Thursday, 23 May	BSE International Convention Hall	Mumbai	BSE Ltd.
12	All India Seminars on Cyber Security & Cyber Resilience framework for Stock Brokers / Depository Participants	Thursday, 13 June	BSE Regional Office	Kolkata	BSE Ltd.
13	All India Seminars on Cyber Security & Cyber Resilience framework for Stock Brokers / Depository Participants	Thursday, 4 July	Ahmedabad Management Association	Ahmedabad	BSE Ltd.
14	Interactive session on NRI and FPI Investments in Indian Stocks: Applicable Foreign Exchange and Tax Laws	Thursday, 4 July	BSE International Convention Hall	Mumbai	NA
15	All India Seminars on Cyber Security & Cyber Resilience framework for Stock Brokers / Depository Participants	Thursday, 25 July	BSE Regional Office	Delhi	BSE Ltd.
16	All India Seminars on Cyber Security & Cyber Resilience framework for Stock Brokers / Depository Participants	Thursday, 22 August	Arkay Convention Center	Chennai	BSE Ltd.
17	Seminar on Contemporary Issues in Compliances	Tuesday, 24 September	BSE International Convention Hall	Mumbai	NA
18	All India training programme and demo on e-KYC	Friday, 20 Dec	NSDL Regional Offices	Ahmedabad, Chennai Kolkata, Mumbai & New Delhi	NSDL
19	Compliance Seminar With focus on new Cash Market margin - procedure & norms	Friday, 27 Dec	BSE International Convention Hall	Mumbai	NA
20	Seminar on Portfolio Management / Investment Advisors - Recent Regulatory Developments / Challenges	Monday, 20 Jan	BSE International Convention Hall	Mumbai	NA
21	Seminar on opportunities at India International Exchange	Tuesday, 18 Feb	BSE International Convention Hall	Mumbai	NA

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*Logos of institutions as per data 2019-2020

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BBF | INVESTOR EDUCATION AND AWARENESS INITIATIVES (LIST OF SESSIONS) (APRIL 2019 - MARCH 2020)

Sr. No.	Dates	Day	City (Conducted at)	Educational Institutions / Business Schools / Colleges	Attendees
1	23-Apr	Tue	Mumbai	Dhruv Global School (Batch 1-4)	100
2	24-Apr	Wed	Mumbai	Mat. K. M. Patel Senior College	25
3	24-Apr	Wed	Mumbai	ICFAI Business School (IBS)	21
4	25-Apr	Thu	Mumbai	B. V. V. Sangha's Institute of Management Studies	23
5	25-Apr	Thu	Mumbai	ICFAI Business School (IBS)	24
6	26-Apr	Fri	Mumbai	The Institute of Chartered Financial Analysts of India (ICFAI)	23
7	26-Apr	Fri	Mumbai	B. V. V. Sangha's Institute of Management Studies	24
8	27-Apr	Sat	Mumbai	Swami Vivekanand Night College of Arts & Commerce	25
9	30-Apr	Tue	Mumbai	Guru Nanak College of Arts Science and Commerce (Batch 1-4)	100
10	8-May	Wed	Mumbai	Alkesh Dinesh Mody Institute for Financial & Management Studies	25
11	13-May	Mon	Mumbai	Alkesh Dinesh Mody Institute for Financial & Management Studies	25
12	21-May	Tue	Mumbai	Lala Lajpat Rai College of Commerce and Economics	25
13	22-May	Wed	Mumbai	Alkesh Dinesh Mody Institute for Financial & Management Studies	24
14	23-May	Thu	Mumbai	Renaissance University (Batch 1-2)	47
15	24-May	Fri	Mumbai	Lala Lajpat Rai College of Commerce and Economics	21
16	29-May	Wed	Mumbai	Lala Lajpat Rai College of Commerce and Economics	26
17	30-May	Thu	Mumbai	Renaissance University (Batch 1-4)	96
18	31-May	Fri	Mumbai	Renaissance University (Batch 1-3)	70
19	24-Jun	Mon	Mumbai	V. G. Vaze College of Arts, Science and Commerce	25
20	25-Jun	Tue	Mumbai	V. G. Vaze College of Arts, Science and Commerce (Batch 1-5)	125
21	26-Jun	Wed	Mumbai	Iridge Business School	24
22	26-Jun	Wed	Mumbai	Vidyalankar Institute of Technology (Batch 1-2)	49
23	26-Jun	Wed	Mumbai	Indian Institute of Technology Bombay (Batch 1-2)	50
24	27-Jun	Thu	Mumbai	Vidyalankar Institute of Technology (Batch 1-2)	50
25	28-Jun	Fri	Mumbai	Vidyalankar Institute of Technology	24
26	28-Jun	Fri	Mumbai	Nagindas Khandwala College	23
27	1-Jul	Mon	Mumbai	Shri M.D. Shah Mahila College of Arts and Commerce (Batch 1-2)	50
28	2-Jul	Tue	Mumbai	Patkar-Varde College (Batch 1-2)	50
29	3-Jul	Wed	Mumbai	Alkesh Dinesh Mody Institute for Financial & Management Studies	26
30	3-Jul	Wed	Mumbai	Allana Institute of Management Studies	24
31	3-Jul	Wed	Mumbai	Dombivli Yuvak Education Trust Royal College of Commerce & Science	25
32	4-Jul	Thu	Mumbai	Patkar-Varde College (Batch 1-2)	50
33	5-Jul	Fri	Mumbai	Patkar-Varde College (Batch 1-2)	50
34	8-Jul	Mon	Mumbai	Dombivli Yuvak Education Trust Royal College of Commerce & Science (Batch 1-2)	50
35	9-Jul	Tue	Mumbai	S. K. Somaiya Degree College of Arts, Science And Commerce (Batch 1-2)	50
36	7-Aug	Wed	Mumbai	Vidyalankar Institute of Technology (Batch 1-2)	45
37	13-Aug	Tue	Mumbai	Mahatma Night Junior & Degree College of Arts & Commerce (Batch 1-2)	47
38	14-Aug	Wed	Mumbai	Mahatma Night Junior & Degree College of Arts & Commerce (Batch 1-2)	45
39	19-Aug	Mon	Mumbai	Vidyalankar Institute of Technology	20
40	19-Aug	Mon	Mumbai	Maharshi Dayanand College of Arts, Science & Commerce (Batch 1-2)	50
41	19-Aug	Mon	Mumbai	Vidyalankar Institute of Technology	26
42	20-Aug	Tue	Mumbai	K. J. Somaiya College of Arts and Commerce (Batch 1-4)	95
43	21-Aug	Wed	Mumbai	NES Ratnam College of Arts, Science and Commerce	21
44	11-Sep	Wed	Mumbai	Cummoo Jaffer Suleman College of Arts & Commerce (Batch 1-3)	75
45	16-Sep	Mon	Mumbai	Cummoo Jaffer Suleman College of Arts & Commerce (Batch 1-3)	80
46	17-Sep	Tue	Mumbai	Department of Business And Industrial Management (Batch 1-3)	75
47	18-Sep	Wed	Mumbai	Cummoo Jaffer Suleman College of Arts & Commerce (Batch 1-3)	76
48	25-Sep	Wed	Mumbai	Symbiosis Institute of Business Management (Batch 1-3)	75
49	1-Oct	Tue	Mumbai	K. C. College of Management Studies (Batch 1-2)	49
50	1-Oct	Tue	Mumbai	Cummoo Jaffer Suleman College of Arts & Commerce (Batch 1-2)	25
51	3-Oct	Thu	Mumbai	Prahladrai Dalmia Lions College (Batch 1-2)	49
52	3-Oct	Thu	Mumbai	Symbiosis Institute of Business Management	25

BBF | INVESTOR EDUCATION AND AWARENESS INITIATIVES (LIST OF SESSIONS) (APRIL 2019 - MARCH 2020)

Sr. No.	Dates	Day	City (Conducted at)	Educational Institutions / Business Schools / Colleges	Attendees
53	4-Oct	Fri	Mumbai	MMP Shah Womens College (Batch 1-2)	50
54	4-Oct	Fri	Mumbai	C. E. S. Marceline Junior College	24
55	7-Oct	Mon	Mumbai	Chetana College	24
56	7-Oct	Mon	Mumbai	Vinayak Ganesh Vaze College of Arts, Science and Commerce	24
57	9-Oct	Wed	Mumbai	K. J. Somaiya Comprehensive College of Education, Training and Research (Batch 1-2)	51
58	10-Oct	Thu	Mumbai	Sydenham College of Commerce and Economics	23
59	10-Oct	Thu	Mumbai	Vidyalankar Institute of Technology	26
60	11-Oct	Fri	Mumbai	Asmita College of Arts And Commerce (Batch 1-2)	49
61	14-Oct	Mon	Mumbai	Asmita College of Arts And Commerce (Batch 1-2)	50
62	15-Oct	Tue	Mumbai Mumbai	Dombivli Yuvak Education Trust Royal College of Commerce & Science (Batch 1-2)	50
63	16-Oct	Wed	Mumbai	Patkar-Varde College (Batch 1-2)	50
64	17-Oct	Thu	Mumbai	Vidyalankar Institute of Technology	24
65	17-Oct	Thu	Mumbai	Asmita College of Arts And Commerce (Batch 1-2)	24
66	11-Nov	Mon	Mumbai	Smt Maniben MP Shah Women's College of Arts and Commerce (Batch 1-2)	50
67	11-Nov	Mon	Mumbai	Ramniranjan Jhunjhunwala College (Batch 1-2)	50
68	13-Nov	Wed	Mumbai	Vinayak Ganesh Vaze College of Arts, Science & Commerce (Batch 1-2)	50
69	13-Nov	Wed	Mumbai	NES Ratnam College of Arts, Science and Commerce	24
70	14-Nov	Thu	Mumbai	Patkar-Varde College	25
71	14-Nov	Thu	Mumbai	Vinayak Ganesh Vaze College of Arts, Science & Commerce	21
72	14-Nov	Thu	Mumbai	VVM's Shree Damodar College of Commerce and Economics (Batch 1-2)	50
73	15-Nov	Fri	Mumbai	K. J. Somaiya College of Arts And Commerce (Batch 1-2)	49
74	15-Nov	Fri	Mumbai	VVM's Shree Damodar College of Commerce and Economics (Batch 1-2)	51
75	18-Nov	Wed	Mumbai	Jashbhai Maganbhai Patel College of Commerce (Batch 1-2)	50
76	18-Nov	Wed	Mumbai	NES Ratnam College of Arts, Science and Commerce (Batch 1-2)	50
77	19-Nov	Thu	Mumbai	Jashbhai Maganbhai Patel College of Commerce (Batch 1-2)	50
78	19-Nov	Thu	Mumbai	Smt Maniben MP Shah Women's College of Arts and Commerce (Batch 1-2)	50
79	20-Nov	Fri	Mumbai	K. J. Somaiya College of Arts And Commerce	25
80	20-Nov	Fri	Mumbai	Sydenham College of Commerce and Economics	25
81	20-Nov	Fri	Mumbai	Ramniranjan Jhunjhunwala College (Batch 1-2)	50
82	2-Dec	Mon	Mumbai	St. Joseph College of Arts And Commerce (Batch 1-2)	49
83	2-Dec	Mon	Mumbai	Vivek College of Commerce	24
84	3-Dec	Tue	Mumbai	Patuck Gala College of Commerce & Management	25
85	3-Dec	Tue	Mumbai	Lala Lajpat Rai College of Commerce and Economics (Batch 1-3)	74
86	4-Dec	Wed	Mumbai	Vivek College of Commerce (Batch 1-3)	75
87	5-Dec	Thu	Mumbai	Vivek College of Commerce	25
88	5-Dec	Thu	Mumbai	Lala Lajpat Rai College of Commerce and Economics (Batch 1-3)	74
89	6-Dec	Fri	Mumbai	Patuck Gala College (Batch 1-3)	75
90	9-Dec	Mon	Mumbai	Nav Hind Jr. College of Commerce & Arts (Batch 1-3)	75
91	10-Dec	Tue	Mumbai	J. Watmull Sadhubella Girls College (Batch 1-2)	49
92	10-Dec	Tue	Mumbai	Vivek College of Commerce (Batch 1-2)	50
93	11-Dec	Wed	Mumbai	Bunts Sangha Mumbai Anna Leela College of Commerce and Economics (Batch 1-2)	50
94	11-Dec	Wed	Mumbai	Doon Business School	25

SESSIONS: 171 4156 +

Note: +

January 2020 | Sessions = 28 | Attendees = 615
February 2020 | Sessions = 25 | Attendees = 622
March 2020 | Sessions = 28 | Attendees = 630

SYMBIOSIS INSTITUTE OF MANAGEMENT STUDIES

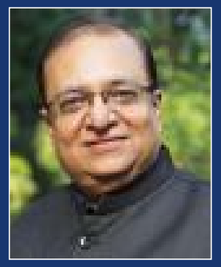


Dr. Arti Chandani | Associate Professor

At the outset, I would like to thank you for an incisive presentation and seminar which helped our students to understand the workings of BSE for our management students. As discussed, we are really interested to collaborate with you on many academic and research projects. Our students were praising you for your live demonstration.

We shall be collaborating with BSE for the workshop and training session on capital market for our students. We are thankful to you for arranging visits to BBF year on year and assisting SIMS students to gain practical insights.

K. J. SOMAIYA INSTITUTE OF MANAGEMENT STUDIES AND RESEARCH



Prof. (Dr.) Pankaj Trivedi | Professor & Area Chairperson of Finance and Law, Head of Ph.D. Program

BBF supports us for various academic activities for MBA Finance students of our institute. The Chief Economist and Chief Operating Officer Dr. Aditya Srinivas regularly visits our institute for guest lectures and conducts workshops on contemporary financial issues of our country and across the globe. His unique style with statistical data is highly appreciated by students as well as faculty. Dr. Aditya Srinivasan is also a member of our Subject Board of Finance. We also get constant support from the CEO of BBF, Dr. Vispi Rusi Bhathena for involving us in FORUM VIEWS and other Forum activities.

We highly value the contribution from BBF for enhancing academic excellence of our finance students.

We wish that the Forum further expands its activities of increasing financial awareness in India for achieving our country's growth and prosperity.

S. R. LUTHRA INSTITUTE OF MANAGEMENT



Jimmy M. Kapadia | Director

We take this opportunity to thank you for sharing your knowledge and experience with our students and serving as a vital bridge between academia and the business world. It has always been a pleasure having you at our campus addressing our students on a very crucial topic of "Current scenario of Indian Economy".

The session as usual was highly mesmerizing with a lot of inputs in the form of facts and figures on different aspects of the economic scenario. You have very lucidly explained the implications of the various data discussed by you in the session which made the lecture easy for the students to comprehend. Moreover, the discussion and interaction that took place after your delivery was very enriching and we are confident that it would go a long way in making our students better professionals for tomorrow.

We once again thank you for the kind support and cooperation extended by you for the benefit of our students and hope to have similar interactions in future too.

JAI HIND COLLEGE



Yasmin Singaporewala | Coordinator BAF | BBI | BFM

I would take this opportunity to personally thank you and your team for the valuable presentation, lectures and seminars that you have conducted with my undergraduate students of accounting, finance, banking and insurance over the past five years. Your session on understanding the basics of the BSE to sessions on economics have received a very positive feedback from the students. The students want to attend more of such sessions with you. I look forward to a long-term association with you.

MIT - WORLD PEACE UNIVERSITY



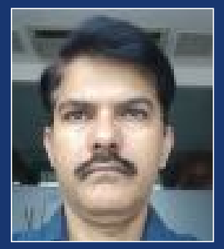
Prof. (Dr.) Babasaheb Jadhav
Faculty of Management (PG)

MIT WPU Faculty of Management, Pune had organized study tour to BBF for MBA-II Finance specialization students. The study tour was a great experience for all students of MBA-II Finance Specialization. The session proved to be knowledgeable for the students, as it highlighted the knowledge about the Indian Stock Exchange and the Indian Economy. It certainly gave the students practical view of live terminal trading in share market.

The orientation seminar covered operations of BSE, history of BSE, how are the companies listed on BSE, how Sensex value is calculated and its importance, investment avenues in stock market, career opportunities in stock market, how live Trade Terminals are working etc.

We look forward to having an association with BBF in terms of study tours, summer internship projects, joint/collaborative activities etc.

MUKESH PATEL SCHOOL OF TECHNOLOGY MANAGEMENT & ENGINEERING | SVKM'S NMIMS UNIVERSITY



Prof. (Dr.) Abhay Kumar | Associate Professor

Thank you very much for inviting our students at BBF and making them understand the functioning of stock markets and role played by BSE. Our students were of very high praise for you. In the words of our students "It was a very detailed and highly interactive session. We thoroughly enjoyed it."

Your valuable session assisted our students to understand the financial Industry. We are looking forward for long term relationship with your organization for the benefit of our MBA Tech students. As discussed, we would like to collaborate with you for internship projects and other research projects.

VIDYALANKAR SCHOOL OF INFORMATION TECHNOLOGY



Prof. Harish Premrao Noula | Assistant Professor and NSS Programme Officer

Vidyalankar School of Information Technology in collaboration with BBF had organised 6 days guest lecture series for its students. The initial 4 days were in the Vidyalnkar Educational Campus at Wadala where in an experts of BBF had come and briefed the students about derivatives and commodities markets, mutual funds and working of stock market. The students were further given a mock trading practice which gave them hands on experience as to how market actually works. The last two days were at the BBF office where the students were shown live trading. They were also briefed about Indian economy, the fundamental and the technical aspects. The students were given career advice as well and were briefed about various courses which could benefit them and assist them to build a better career. The overall lecture series was much beneficial to the students as many of the students had developed interest in financial markets and were more keen in doing courses which have more demand in the job market.

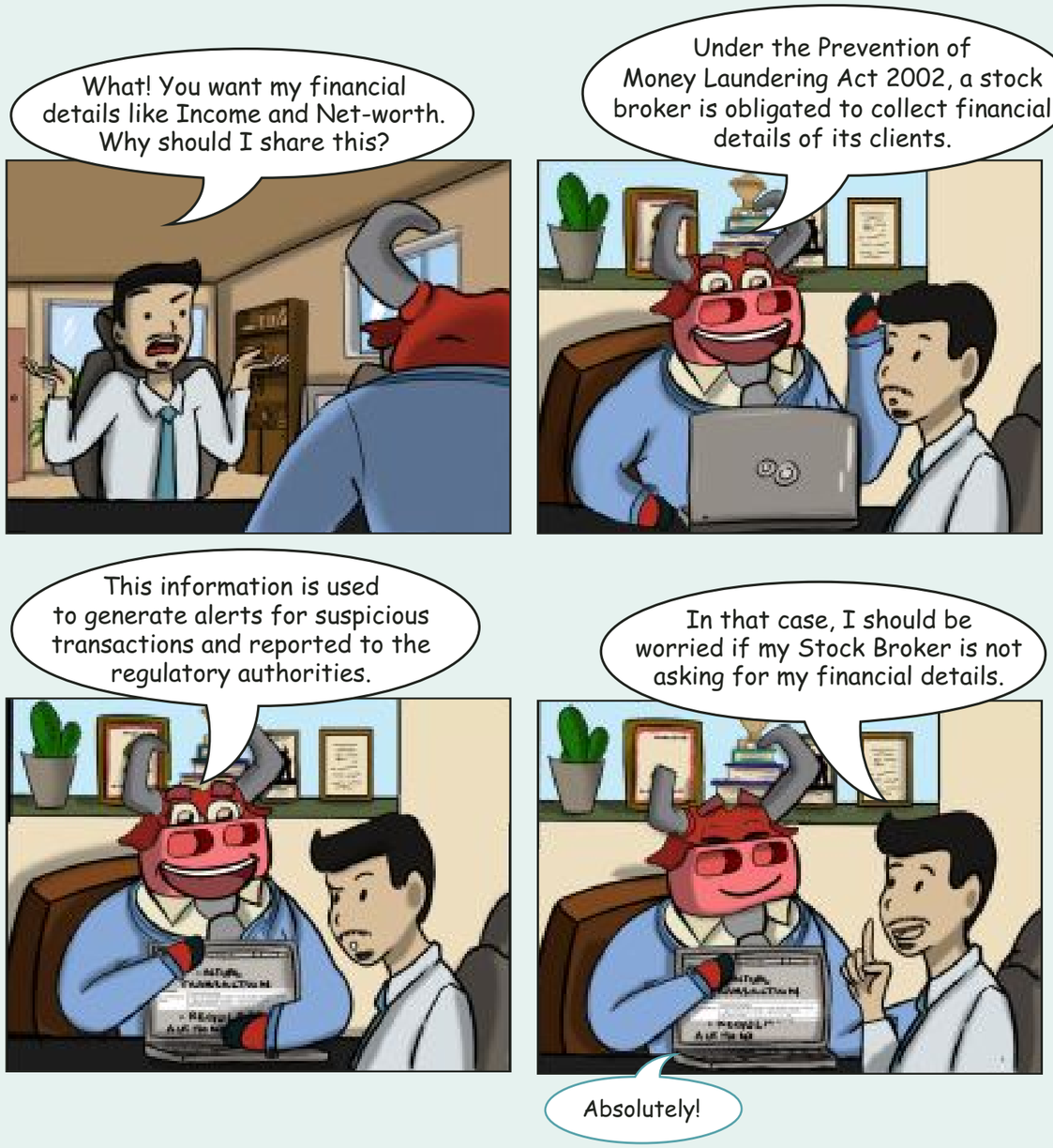
IES MANAGEMENT COLLEGE AND RESEARCH CENTRE



Dr. Gazia Sayed | Assistant Professor

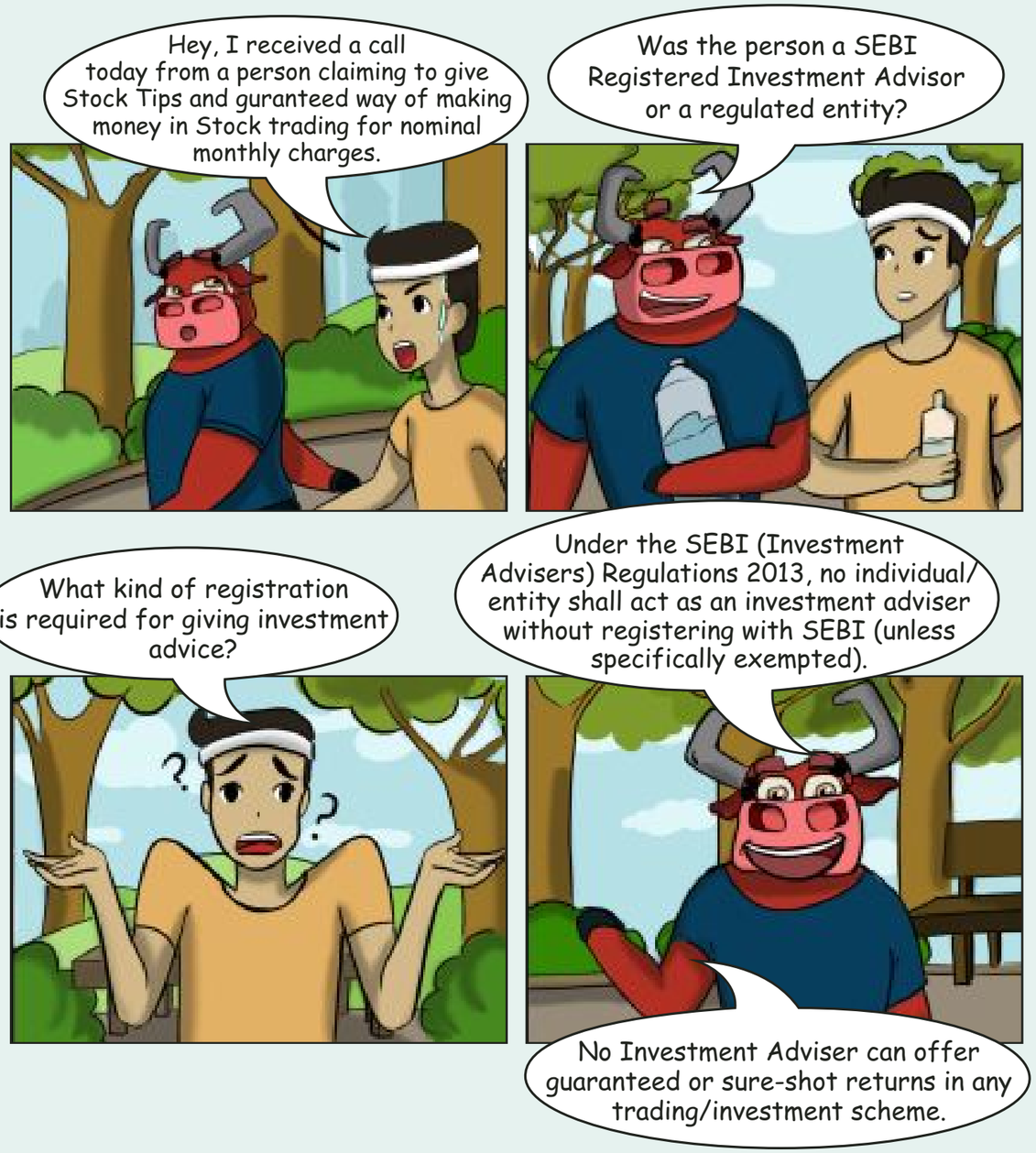
We at IES MCRC are grateful to BBF, especially Dr. Aditya Srinivas and Dr. Vispi Rusi Bhathena, for imparting knowledge to our students. Our students' have gained a lot from all the study tours, guest lectures and summer internships provided by BBF. We are looking forward to more such associations in future.

Dates	Events	Locations
November 2012	Maldives Stock Exchange and Maldives Capital Market Development Authority - Financial inclusion event	Maldives
January 2013	Members' Conference 2013	Bangladesh
May 2013	1st International Outreach Program 2013 (Global Business Connect Tour)	Thailand, Philippine, Indonesia, Singapore, Malaysia
May 2013	26th International Counsil of Securities Associations (ICSA) - AGM 2013	Sydney, Australia
October 2013	2nd International Outreach Program 2013 (Global Business Connects' Tour)	Seoul, Tokyo, Hong Kong and Taiwan
October 2013	18th Asia Securities Forum (ASF) - AGM 2013	Taipei, Taiwan
April 2014	27th International Counsil of Securities Association (ICSA) - AGM 2014	Paris, France
April 2015	BBF hosts' the 28th International Counsil of Securities Association (ICSA) - AGM 2015	Mumbai, India
September - October 2015	3rd International Outreach Program 2015 (Global Business Connect Tour)	Amsterdam, Luxembourg, Frankfurt, Paris, London
November 2015	20th Asia Securities Forum (ASF) - AGM 2015	Seoul, South Korea
December 2015	Asia Securities Industry & Financial Markets Association (ASIFMA) - Annual Conference 2015	Hong Kong
May 2016	29th International Council of Securities Association (ICSA) - AGM 2016	Stockholm, Sweden
November 2016	21st Asia Securities Forum (ASF) - AGM 2016	Manila, Philippines
November - December 2016	Asia Securities Forum (ASF) - Tokyo Round Table 2016	Tokyo, Japan
May 2017	30th International Council of Securities Association (ICSA) - AGM 2017	Mexico City, Mexico
October 2017	Asia Securities Forum (ASF) - Tokyo Round Table 2017	Tokyo, Japan
November 2017	22st Asia Securities Forum (ASF) - AGM 2017	Tokyo, Japan
April 2018	10th Anniversary IFIE - IOSCO Conference	Tokyo, Japan
June 2018	31st International Council of Securities Associations (ICSA) - AGM 2018	Taipei, Taiwan
September 2018	Asia Securities Forum (ASF) - Tokyo Round Table 2018	Tokyo, Japan
July 2018	1st India - Korea Capital Market Cooperation Forum 2018	Mumbai, India
October - November 2018	23rd Asia Securities Forum (ASF) - AGM 2018	Bali, Indonesia
January 2019	BBF Global Connects Tour	Seoul, South Korea and Tokyo, Japan
June 2019	Opportunities in New India	Seoul, South Korea
June 2019	32nd International Council of Securities Associations (ICSA) - AGM 2019	Milan, Italy
September 2019	Japan Securities Dealers Association (JSDA) - 15th ASF Tokyo Round Table	Tokyo, Japan
November 2019	24th Asia Securities Forum (ASF) - AGM 2019	Istanbul, Turkey
January 2020	2nd BBF Global Connects - Japan 2020: India Investment Opportunity	Tokyo, Japan



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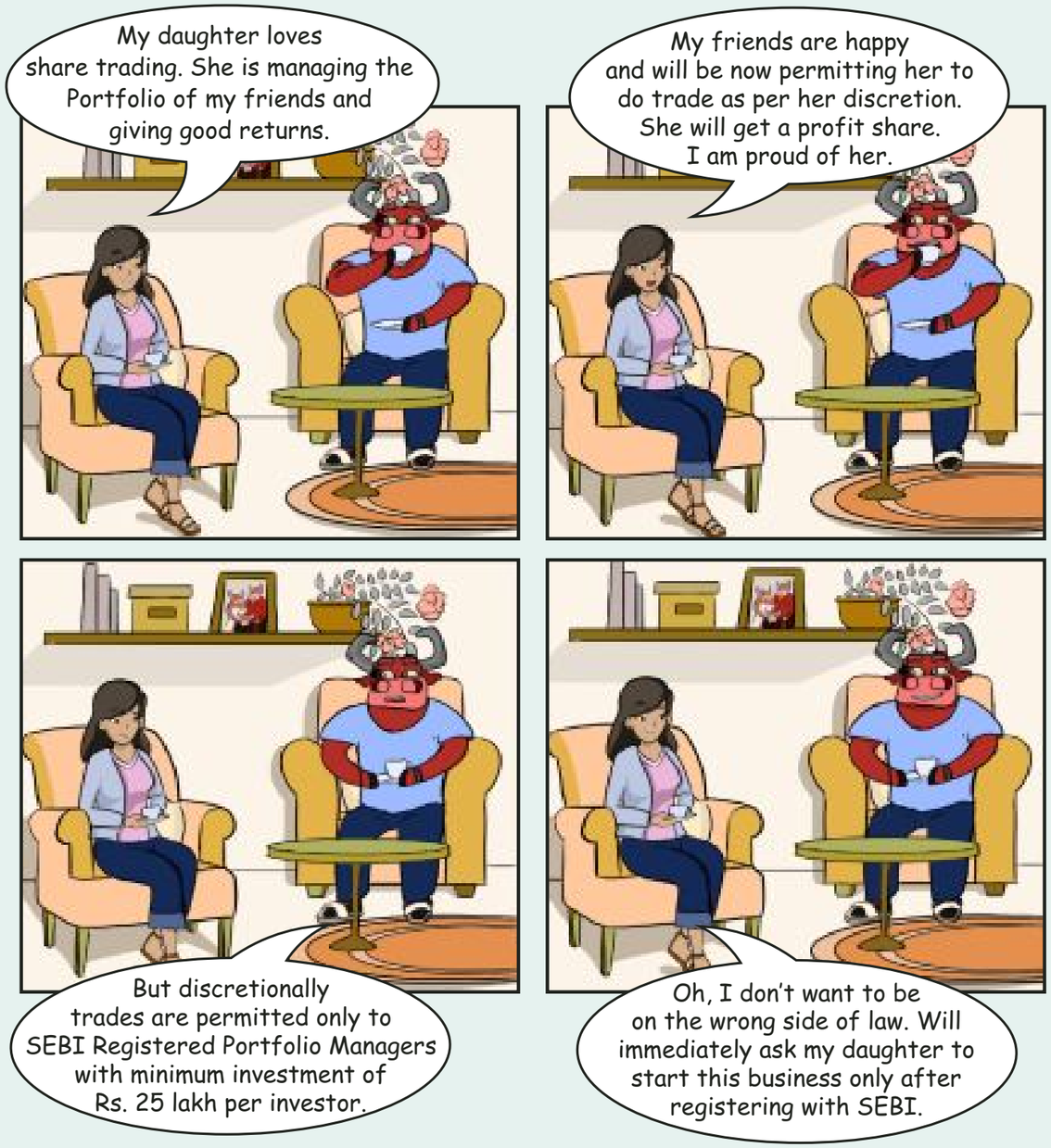
Do not trust any SMS which is received from unknown sources. Report such messages to BSE on 7506840578 and NSE on 8291833676.

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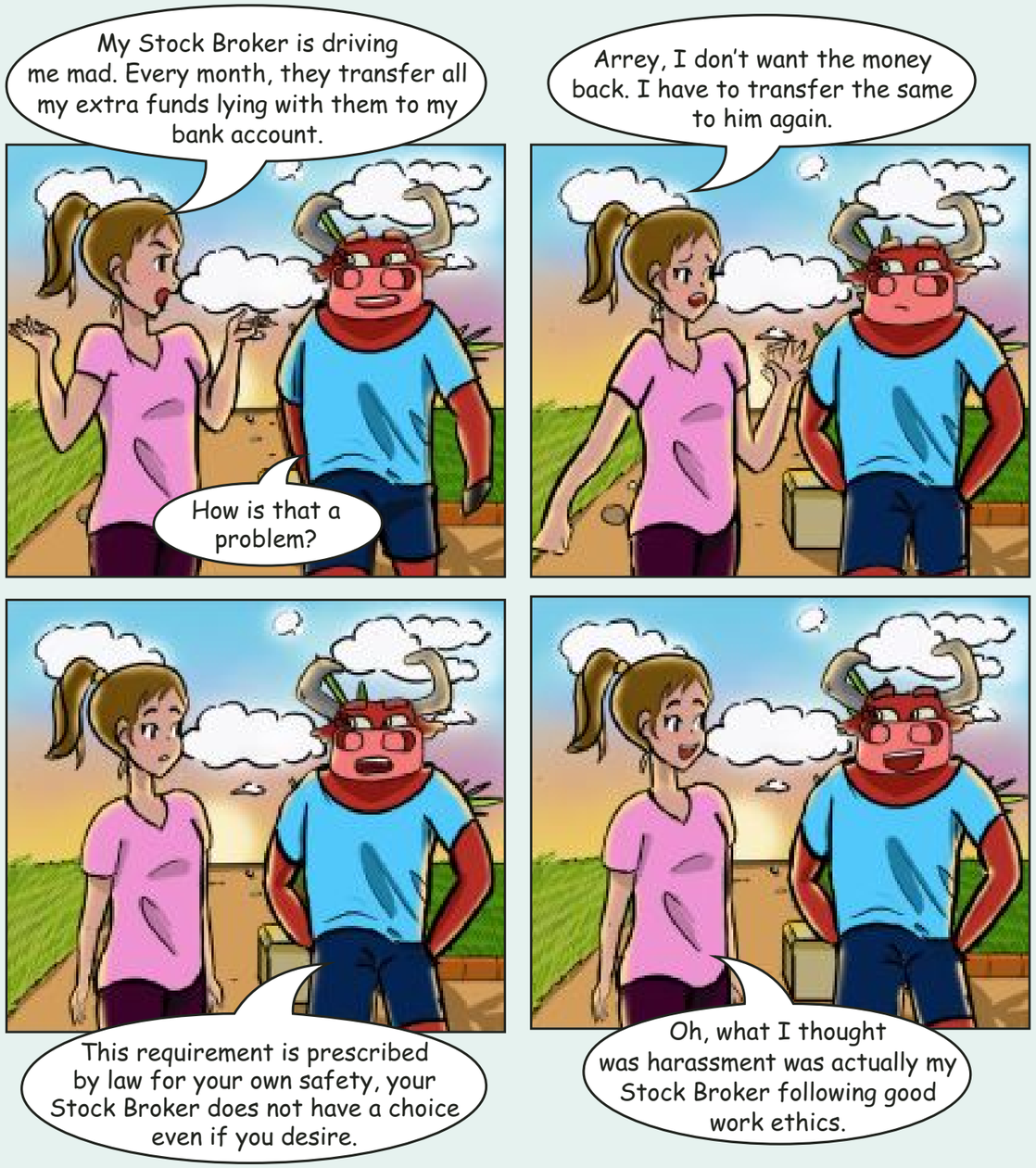
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All Stock Brokers settle the accounts of the client on a periodic basis in line with Regulatory Directives. Kindly co-operate if and when Stock Broker does so, and be wary if settlements do not take place.

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Leave assets, not headaches for your loved ones.
Ensure that you have up to date nominations registered in your demat and trading accounts.

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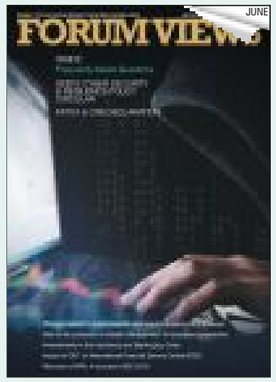


Please list out all your assets and liabilities at periodic interval. Draw up your will and leave with trusted persons or put it in locker. Let the family know the bank and locker details.

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FORUM VIEWS

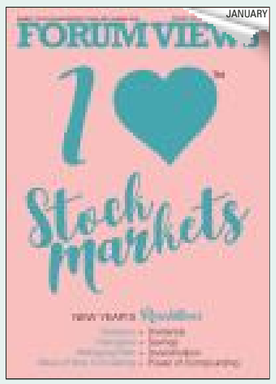
AN AWARD WINNING CAPITAL MARKETS & LIFESTYLE MAGAZINE

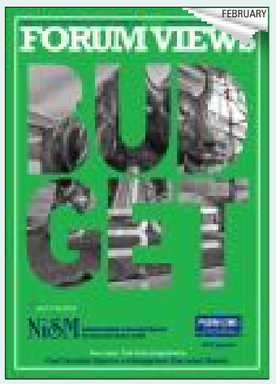














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ACFCS Association of Certified Financial Crime Specialists
AFMA
afme/ Finance for Europe
Amafi Association Française des Marchés Financiers
asifma
สมาคมบริษัทหลักทรัพย์ไทย Association of Thai Securities Companies
Associazione Intermediari Mercati Finanziari - Assosim
BaFin
BNY Mellon
CSUDH California State University, Dominguez Hills
Clement Advisory Group
cloudBuy
HKTDC 香港貿發局
ICMA International Capital Market Association
ICSA
IIACACCVM Investment Industry Association of Canada / Association canadienne du commerce des valeurs mobilières
JSDA
London Stock Exchange
Middlesex University
SRO NFA National Finance Association
S&P Capital IQ McGraw Hill Financial
S&P Global Market Intelligence
SGX Singapore Exchange
TCMA Turkish Capital Markets Association
TSPAKB The Association of Capital Market Intermediary Institutions of Turkey

* Logo placement in alphabetical order

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Sanctum Wealth Management Private Limited is registered with SEBI as a Stock Broker (Reg. INZ000011338), Trading Member ID NSE (90072) & BSE (6624), a Portfolio Manager (Reg. INP000005067), Research Analyst (Reg. INH000003051), Depository Participant with NSDL (IN-DP-248-2016) and with AMFI as a Corporate Distributor of Mutual Funds (ARN-105768).

MILESTONES

2020 — Assets held in NSDL cross **₹200 Lakh Crore** ($ 2.8 trillion)

2019 — Launch of **Insta Demat Account** Facility for Bank DPs.

2018 — Launch of NSDL **Payments Bank** & **Digital Loan against shares** facility for Bank DPs

2017 — **'CSD of The Year'** at Asian Banker Financial Markets Awards

2016 — **20 Years of Successful Operations.**

2015 — Launch of NSDL **Consolidated Account Statement (CAS)**

2014 — **Custody value crosses ₹100 lakh crore.** Launch of **FPI registration platform, Mobile App for investors & India bond info website**

2013 — Launch of **National Insurance Repository (NIR)** for electronic issuance of insurance policies

2010 — Launch of **New Depository System**

2009 — Launch of **SPICE - Electronic platform** for clearing members

2006 — Launch of **National Skills Registry** through its subsidiary NDML

2004 — Launch of **IDeAS Platform**

2003 — Launch of **T+2 rolling settlement**

1996 — **Begins operations** and sends out its **first electronic demat request** on 8th November

www.nsdl.co.in

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NSDL Technology, Trust & Reach

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NSDL has launched various path-breaking initiatives and services over the last 24 years which have redefined Indian capital markets, providing maximum convenience and ease of operation to demat account holders and business partners.

These services are

01 SPEED-e

02 IDeAS & Mobile App

03 NSDL CAS

04 Digital LAS (Loan Against Securities)

05 Insta Demat Account for Bank DPs

06 e-KYC KUA

07 e-Voting

08 SPICE

09 STeADY

10 DAN

11 Indiabondinfo

12 FPI Monitor, Foreign Investment Monitoring (FILM) Platform

13 Trade Repository

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In Conversation with Securities and Exchange Board of India (SEBI)

CHAIRMAN'S SPEECH DATED JANUARY 23, 2020 DURING THE RESEARCH CONFERENCE ON "CHANGING LANDSCAPE OF SECURITIES MARKET" JOINTLY ORGANIZED BY SEBI AND NISM, AT THE NISM PATALGANGA CAMPUS

1. Ladies and gentlemen, a very good morning to you all. I am pleased to be present here in this conference on "Changing Landscape of Securities Markets" jointly organised by SEBI and NISM.

2. Economic research contributes to the development and updating of conceptual models and tools which in turn help in policy formulation. Research activities facilitate better understanding of the economic uncertainties that lie ahead. In this context, the quality of data, robustness and reliability of the models, and unbiased inferences are of paramount importance.

"The Market Infrastructure Institutions, viz. Stock Exchanges, Clearing Corporations and Depositories have become technologists' delight. Data is fast becoming the "fourth organizational pillar" for modern financial institutions, alongwith people, processes and technology. Data analytics is predominantly being used for key securities markets functions such as trading, compliance and risk management. Going forward, technology and data are going to play an even more dominating role."

I. Increasing role of data analysis

3. The theme of the conference aptly recognises that the securities markets landscape is changing. The securities markets as we see them today have evolved over a period of time from a markedly different shape earlier. The sharp and quick changes in the market structure reconfirms the proverbial saying - 'change is the only constant'.

4. Use of technology has played a major role in effecting the transformation in the capital markets. Digitization has made capital markets industry one of the most data driven industries. In fact, today, the Market Infrastructure Institutions, viz. Stock Exchanges, Clearing Corporations and Depositories have become technologists' delight. Data is fast becoming the "fourth organizational pillar" for modern financial institutions, alongwith people, processes and technology. Data analytics is predominantly being used for key securities markets functions such as trading, compliance and risk management. Going forward, technology and data are going to play an even more dominating role.

II. Use of research in policy making

5. Financial markets play an important role in efficiently allocating capital which is scarce. The role of research in policy making in financial markets, which are highly dynamic and complex in nature, cannot be over stated. Many a times what appears apparent turns out to be not true.

6. Learnings from past events and interlinking the same to the present environment is important for policy making. It is important to dispassionately dissect the past events and come out with clear learnings.

7. Research helps to nullify biases which policy makers may imbibe due to prior association with similar issues. Research based experimentation is the essence of driving market innovations. It is all the more important taking into account the ever evolving technological changes.

III. Promoting research and innovation

8. SEBI has been promoting research and innovation. Towards this end, some of the steps taken are as follows.

NISM

9. National Institute of Securities Market (NISM) was established by SEBI to promote securities market education and research. NISM is offering academic, capacity building and skill development programmes in the securities markets and improving the level of financial education in the country.

In-house research

10. Several research studies based on empirical examination in financial markets have been published by the SEBI staff. To share ideas about the functionality of the securities market, SEBI has also published various technical working papers. Further, under the program of DRG studies, SEBI staff in association with external domain experts in specific area have brought out research reports on selected themes of interest to Regulator.

Research Advisory Committee

11. To further strengthen research function and enhance its linkage to policy making, SEBI has constituted a Research Advisory Committee comprising of prominent financial economists and market practitioners as members. The committee advises SEBI on enhancing the quality of research, including data democratization. In fact today's conference itself has originated from such deliberations of the Research Advisory Committee.

Data sharing policy

12. SEBI has also put in place a data sharing policy making available structured and unstructured data for undertaking analytics projects, research activities, academic studies etc.

Innovation sandbox

13. To facilitate development and adoption of innovative fintech solutions in securities markets, SEBI has specified a framework for "innovation sandbox" to provide fintech firms and individuals a testing environment for offline testing of their fintech solutions. Under the framework, Depositories, Exchanges and RTAs make available historical and anonymised data to eligible participants for testing their product. MIIs evaluate the results of such testing, based on which decision could be taken whether to deploy the fintech solution in the market.

IV. Research & innovation - way ahead

14. Financial markets cover a wide range of issues and clearly research requirements are multifaceted. Some of the areas which come to my mind readily are as follows. Naturally, such a list can never be exhaustive.

Use of AI/ML and blockchain

15. Application of AI/ML and blockchain tools has the potential to bring a paradigm shift

in the securities markets landscape. Amongst other applications, block-chain could be used in clearing, settlement and record-keeping given its benefits in maintaining records in distributed ledgers, while still being a single source of truth. Block-chain based solutions are being developed by some foreign exchanges for settlement and by domestic exchanges for KYC recordkeeping purpose.

16. With increasing digitization of information and ability of AI and ML to read unstructured data, AI/ML is being increasingly deployed in fund management, trading, supervision and surveillance activities.

17. Though the use of AI/ML and block-chain has taken off across the world in different areas, these tools still continue to be fairly new and untapped technologies. There is a need for an active research into these technologies to explore their best possible usage in securities markets.

Risk assessment and management

18. While bankruptcy of Lehman Brothers, Inc. in 2008 triggered failure of many US banks, the Depository Trust & Clearing Corporation (DTCC), the leading clearing and settlement infrastructure for the US markets, successfully closed out over USD 500 billion worth of Lehman's exposure to market participants without any spill over of risk to either the clearing house's balance sheet or to its clearing fund. Thus, appropriate risk management enabled this MII to successfully tide over the stress period which many banks could not.

19. In this age of complex financial products and globalization of markets, newer risks emerge and stress periods recur with more regularity than ever. Many of the scenarios which were never witnessed earlier or were considered impossible, now materialise.

20. The methods and models for measuring, managing and pricing financial risk need regular review and update so that the risk management is robust. At the same time, regulators also need to strike a balance between conservative risk management and market development, as very high level of safety usually comes at the cost of liquidity in the markets.

21. There is need for continuous research and analysis in the area of risk management to forecast plausible stress scenarios and consequent risks to put in place appropriate risk management to protect the interest of stakeholders.

Systemic issues

22. Systemic risks and their effective management are becoming important objectives of financial market regulators worldwide. Systemic risk monitoring requires continuous identification and monitoring of systemically important financial institutions, leverage, inter-connectedness, risk concentrations and overall market sentiments.

23. Due to increasing globalization, to address systemic risk it is important to have a comparative picture of domestic and global market. Data on trend in market indices, price-earnings ratio, valuation, foreign inflow, etc need to be analyzed on a continuous basis.

24. Another important way to address systemic issue is through understanding inter- linkages between products and sectors. There are products which are directly related like interest based products and bonds. The challenging task is to understand through research the products or instruments which are not directly related but affect each other indirectly.

25. Authorities around the world are increasingly building simulation models to measure interconnectedness of financial institutions and see as to failure of which financial institution could cause contagion impact and bring down the market leading to systemic risk. The need for further research in measuring systemic risk in the financial sector in India too is quite apparent.

Behavioural economics

26. Classical economics believed that human beings are rational and take decisions which most suit them. But over the years there has been a realization that decisions are not always rational and in some instances they are influenced by other factors. Research in behavioral economics analyses the effects of psychological, cultural and social factors on the economic decisions of individuals and institutions.

27. In financial markets, there is a general belief that price discovery process in stock prices absorb information on a continuous basis. So the scope for the prices to remain continuously away from rational pricing is limited. Further, technical analysis and fundamental analysis tools are widely used to approach the rational price. However, it is a common knowledge that many investment decisions taken in stock market trading cannot be explained through technical or fundamental analysis.

28. A significant amount of research has been done globally in the field of behavioral economics. Economists like Robert Shiller and Richard Thaler have made seminal contribution in this field. Concepts like loss aversion, fear of regret and disposition effect, herd behavior and group thinking, etc. touch upon aspects which can't be looked into by using normal tools of analysis. Perhaps further research in this area in the context of Indian capital markets could be useful.

Surveillance

29. Surveillance of capital markets is another field where I believe a lot of improvement and efficiency can be brought through the use of advanced technology and dataanalytics. Catching malpractices in the market using the standard tools that analyze only structured data of price and volume is increasingly becoming difficult.

30. Social media platforms are increasingly being used by manipulators for market manipulation. Regulators worldwide are increasingly acknowledging that there is much more surveillance input that can be gained from such social media platforms than that can be gained from analysis of structured data. Considering the same, use of advanced technological tools such as Artificial Intelligence, Machine Learning, Big Data Analytics, Natural Language Processing etc. that enable collection, filtering and analysis of such unstructured data will greatly augment the surveillance capabilities.

31. SEBI has already planned Data Lake project to augment analytical capability with advance analytical tools viz., AI/ML, deep learning, big data analytics, pattern recognition, processing of structured and unstructured data, text mining and natural language processing, etc.

Conclusion

32. I hope that this SEBI-NISM research conference which aims to provide an interactive platform for researchers, academicians and industry practitioners to showcase their analytical skills by presenting research papers will help broaden the knowledge sharing on various aspects of securities markets and based on the deliberations will also come out with useful policy recommendations. I wish the conference a great success.

Thank you

Courtesy Reference:

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In Conversation with Reserve Bank of India (RBI)

$ 5 TRILLION ECONOMY: ASPIRATION TO ACTION - SHRI SHAKTIKANTA DAS, GOVERNOR, RESERVE BANK OF INDIA - DECEMBER 16, 2019[1] - DELIVERED AT THE INDIA ECONOMIC CONCLAVE HELD IN MUMBAI

1. It is a privilege to be here this morning at the very prestigious India Economic Conclave organised by The Times Network. I assumed charge of the Reserve Bank last year on December 12, and this event was held around that time. Having witnessed many of the proceedings of the event last year on television, I looked forward to participating in this year's conclave. I must also compliment Shri Anand of Times Network and Shri Vaidyanathan of IDFC First Bank for introducing the subject and the theme of the event succinctly.

"The RBI adopted a flexible inflation targeting (FIT) framework under which primacy is accorded to the objective of price stability, defined numerically by a target of 4 per cent for consumer price headline inflation with a tolerance band of +/- 2 per cent around it, while simultaneously focusing on growth when inflation is under control."

2. Today, as we sit down and talk here or elsewhere, almost every discussion converges on the state of the Indian economy. Multiple views are expressed, multiple analyses are done, and multiple suggestions are made. The whole country's interest in the economy is a very good sign. There is indeed a need for very informed and objective conversation on the state of the Indian economy, and more importantly, about our future course of action.

3. In this context, I propose to talk about the important role of the Reserve Bank of India in creating a financial system for the 21st century, with a focus on the growth aspect. Financial stability, which is essential for growth and economic development, will also be touched upon by me.

Role of the Reserve Bank of India

4. As a national institution, the Reserve Bank predates the independence of India. The preamble of the RBI Act, 1934, states the RBI's role as:

> "...to regulate the issue of banknotes and the keeping of reserves with a view to securing monetary stability in India and generally to operate the currency and credit system of the country to its advantage..."

5. This mandate has been interpreted over time as to maintain price stability, financial stability and economic growth with the relative emphasis between these objectives governed by the prevailing macroeconomic conditions. In May 2016, the RBI Act was amended, and the role of the Reserve Bank in the area of monetary policy has been restated as follows:

> "the primary objective of monetary policy is to maintain price stability while keeping in mind the objective of growth".

6. Empowered by this mandate, the RBI adopted a flexible inflation targeting (FIT) framework under which primacy is accorded to the objective of price stability, defined numerically by a target of 4 per cent for consumer price headline inflation with a tolerance band of +/- 2 per cent around it, while simultaneously focusing on growth when inflation is under control. The relative emphasis on inflation and growth depends on the macroeconomic scenario, inflation and growth outlook, and signals emerging from incoming data.

7. Post Global Financial Crisis (GFC), financial stability has emerged as a key priority for central banks around the world. Though the jury is still out as to whether it should be added as an explicit objective of monetary policy, the fact remains that it has always been an underlying theme within this mandate. In fact, drawing upon this mandate, the Reserve Bank of India has taken several policy actions in recent months encompassing monetary and liquidity measures as well as macro-prudential measures to reinvigorate domestic demand and accelerate the pace of economic growth. Simultaneously, we have been taking steps to strengthen the banking and the non-banking financial companies (NBFC) sector. The Reserve Bank of India will continue to do whatever is necessary to deal with the multiple challenges of growth slowdown, spikes of inflationary pressures and health of the domestic banking sector and NBFCs.

8. Having briefly touched upon the role of the Reserve Bank, let me now turn to growth and then to financial stability.

Global Growth

9. In the recent couple of years, we have seen that global growth has slowed down because of trade tensions, protectionist tendencies, lingering uncertainty over Brexit, among others. What is critical is that the outlook on all these is ever-changing.

10. Talking about the ongoing trade tensions, one often hears of statements about trade wars between the two leading nations coming to an end one day, followed by contrary news the next day. This fluctuation has been happening over a period, especially in the last few months. Yesterday's announcement of the United States of America (USA) and China coming to some understanding, hopefully, will be sustainable and will not get reversed in the coming weeks or months. Media reports of China increasing its agricultural imports from the USA and the USA going slow on its proposal to levy new tariffs on Chinese imports, I hope, will bring in a lot of certainty in the global trade and growth spheres.

11. Similarly, in the case of Brexit, there has been a positive development in the sense that there is a stable government which is committed to Brexit. Earlier, the debate in the public space in the United Kingdom (UK) was oscillating between Brexit and no Brexit. Fortunately, as it would appear, there is some element of certainty coming in there.

12. To highlight the kind of uncertain times that we are living in, I would like to mention one more development. When the Saudi oil drone strikes happened about a few months ago, the oil markets went into great suspense immediately. In an interview within two/three days of the drone strikes, I was asked a question by your channel, ET Now, and I had said that I will wait for at least two weeks to see Saudi Arabia's revival plan. But fortunately, within no time, the Saudi authorities were able to put together a revival plan and the shock was rendered temporary. While the times are uncertain, it is good that efforts are being put in to reduce the element of uncertainty.

13. Against this backdrop, I had observed in my intervention at the Introductory Session of the IMF's International

Monetary and Financial Committee (IMFC) meeting in October 2019 that we (all member countries) need to act now and together to prevent the slowdown from becoming entrenched.

14. Global growth is widely talked about in India because it influences domestic growth as well. I do not intend to imply that the slowdown that we are experiencing in the country is entirely due to global factors, but they do have an impact. For emerging market economies such as India, quick revival of growth is very important - considering their contribution to global growth - and there is, therefore, a need for coordinated and timely action by all countries. This is a point which needs to be driven home very strongly.

15. In 2008, when the global financial crisis (GFC) happened, multilateralism was at the forefront of global discourse. Ten years later, today, when there is a global slowdown, it is no more the dominant theme - bilateralism has overtaken the multilateral sentiment. All the G-20 countries, led by the USA, had come together post GFC and worked out a global plan of action to revive growth. We do not see that kind of global action in the current scenario. I only hope that global growth does not suffer from hysteresis. That is, delayed action by countries should not overtake or should not stifle the recovery process. For example, even though quarterly growth (annualised) in the Euro area (EA) has been stable in the last two quarters - it was 0.8 per cent in Q2 and Q3 of this year - it is not what the EA would like to have. We find that there is space for fiscal policy action in many of the larger European economies, but we are yet to see any traction on that front. These countries may have their own reasons for holding back fiscal action, but as an outsider and after my interaction with central bank governors of other major economies, it is felt that fiscal action in Europe is somewhat delayed and we are yet to see the kind of fiscal action that we saw in 2008. In fact, it is noteworthy that the new chief of European Central Bank, Ms. Christine Lagarde, has stressed the need for some amount of fiscal expansion by countries in the EA which can afford to do so.

16. Talking about the world growth scenario, we find that there are some marginal signs of pickup in the US economy, with growth in Q3 being 2.1 per cent in comparison to 2.0 per cent in Q2 of 2019. The UK, which recorded a surprising growth of -0.8 per cent in Q2, has reported a 1.2 per cent annualised growth in Q3. Growth in China has decelerated. South Africa has witnessed a decline in growth from 3.2 per cent in Q2 to -0.6 per cent in Q3. Brazil has shown some marginal improvement. The overall picture, however, remains unclear.

17. Fortunately, for India, both Government and the Reserve Bank have acted in time. With regard to the RBI, I can say that the markets were somewhat surprised by RBI's action a little ahead of time, in terms of reduction in policy rate as early as in February 2019, when we anticipated that a momentum for a slowdown is building up. The Government, on its part, has also announced several policy measures in the last five to six months.

18. I would like to conclude this part of my intervention by saying that a synchronised slowdown across countries necessitates coordinated policy action by major economies.

Domestic Economic Growth

19. Coming to domestic economy, it is imperative that we recognise and highlight the growth drivers of the past and the present. What led the Indian growth story in the last two to three decades? Which sectors could play that role today?

Growth Drivers of the Past

20. In the late 1990s and the first decade of the 21st century, it was essentially the information technology (IT) sector which led the growth. India was able to capitalise on the IT boom; in fact, India's software exports went up by 13 times from about US$ 6.3 billion in 2000-2001 to US$ 83.5 billion in 2018-19. The telecom revolution also happened during the same period and created a lot of new jobs and also added to the gross domestic product (GDP). The infrastructure sector, especially the construction of highways, also expanded with the Golden Quadrilateral and the other initiatives that followed. Riding on the global growth, manufacturing activity was mainly driven by new automobile companies which made entry into India such as Ford, Hyundai, Toyota, Renault and Nissan, among others. Maruti and Ashok Leyland went for expansion and new manufacturing facilities came up. Simultaneously, big global electronic hardware and manufacturing companies started setting up their base in India. Furthermore, the Incredible India campaign was initiated and large number of foreign tourists started taking interest in India. In fact, receipts from the tourism sector grew by almost eight times from US$ 3.5 billion in 2000-01 to US$ 28.4 billion in 2018-19. Growth in the late 1990s and in the early years of this century was, thus, primarily driven by IT, telecom, manufacturing, especially in automobiles, electronics and tourism. Related segments within the service sector also experienced concomitant expansion.

What can be the growth drivers of today?

21. Going forward, India should strive and become a part of the global manufacturing value chain. We have been fairly insulated from the global value chain. Therefore, when major manufacturing economies experienced slowdown in the past, India was not significantly impacted. It cannot be a justification for remaining permanently away from it for far too long. For a major economy such as ours, which is increasingly making its global presence felt, it is necessary to play a significant part of the global value chain. I am sure that the policy makers in the Government will give due attention to this aspect. There are of course a number of steps which have been taken in this direction in the recent months and years; however, more steps are necessary.

22. Food processing could be another area. We also need to regain our pre-eminence in textiles. Opportunities in the manufacturing and tourism sectors need to be explored further. Spending on infrastructure by the Central and State Governments is another important area. Capital expenditure of states has remained stagnant around 2.6-2.7 per cent of their gross domestic product (GDP) over the last few years. This needs to be stepped up. E-commerce and start-ups offer new opportunities and several steps have been taken to create an enabling ecosystem in these areas.

23. The RBI's role in the context of revival of growth has been multi- pronged. As I mentioned earlier, we have pre-emptively reduced the policy rate by 135 basis points between February 2019 and now to reinvigorate demand. In keeping with the accommodative stance, the Reserve Bank has injected a sizable amount of liquidity into the system which was in deficit for a very long time. Currently, the system is in daily surplus by about ₹2.5-3.0 lakh crore - that is the quantum of money we are absorbing through reverse repo operations every day.

24. To ensure better and higher credit flow, we have taken several measures. To touch upon a few, we have increased the single exposure limit for banks to NBFCs; allowed commercial bank lending to NBFCs for on-lending to certain sectors of the priority sector; and reduced the risk weights for banks in certain category of loans to individuals without compromising on any of the macro-prudential principles which is prescribed under the Basel norms.

Role of RBI in maintaining Financial Stability

25. This brings me to the role that RBI plays in maintaining financial stability. In this regard, I would like to share certain interesting facts. I touched upon it briefly in the press conference post monetary policy, but I would like to highlight a few points again. We did a survey of 1539 listed manufacturing companies and an

analysis was done based on their H1:2019-20 unaudited half yearly statements which indicate the following:

i) These manufacturing companies have increased their investment in fixed assets, including capital work-in-progress, during the first half of 2019-20.

ii) 45.6 per cent of the funds available with these companies were deployed in fixed assets as compared to 18.9 per cent in the first six months of last year, which means that there was a certain quantum of funds available with the manufacturing companies which was put into fixed assets. This probably means that some signs of revival are beginning to show in the investment cycle. I must qualify by saying that it is too early to rush into any conclusion. Nonetheless, this is an interesting fact which deserves attention.

iii) Our analysis also showed that there is evidence of some amount of deleveraging (i.e., reduction in borrowing) during the first half of this financial year. The proportion of available funds that was used to reduce the long-term and short-term borrowing during the first half of 2019-20 was 11 per cent and 4.2 per cent, respectively.

iv) Many companies are not availing their working capital limits to the full, which may not be a very good sign. It points to some slowdown in the economic activity. On the other hand, it could also imply that they have adequate surplus with them which is being used to meet their working capital requirements. As time progresses, one would expect them to utilise more of these funds in investments. In other words, there is a certain amount of capital available in the system which needs to feed into the investment cycle.

26. What explains this phenomenon? My sense is that there is a process of cleaning up of balance sheets going on in the corporates. So, as far as these corporates are concerned, new investments are being carefully thought through. They have certain amount of funds available, certain amount of investable resources at their disposal, but they are in the process of deleveraging and cleaning up of their own balance sheets before they can restart their investment plans.

27. Banks and NBFCs are cleaning up their balance sheets as well. These are positive signs which are creating a base for future growth. In the case of Scheduled Commercial Banks (SCBs), we find that the system-wide capital to risk-weighted assets ratio (CRAR) is about 14.3 per cent at the end of March 2019. Comparable numbers for other countries, like China and the US, are 14.1 per cent and 14.9 per cent, respectively. One of course must mention that in the advanced European countries like France and Germany, it is a little higher at about 18-19 per cent. But our 14.3 per cent is well above the regulatory requirement[2].

28. The problem of stressed assets is also being addressed and the resolution of non-performing assets (NPAs) has gathered momentum. The Supreme Court's judgment in the case of Essar Steel has really unclogged a major resolution issue which had been pending for quite some time. There has been improvement in the gross NPA figures. After a long time, scheduled commercial banks, especially the public sector banks, have had perceptible improvement in profitability.

29. In this context, the role of the Reserve Bank has been to focus on strengthening regulation and supervision to create or to facilitate a robust framework of financial stability where the banks and the NBFCs will be able to fulfil the expectations of the society. We have carried out a review of regulations of banks and NBFCs in the recent months and have brought about several improvements regarding their supervision. We have created separate

Departments of Supervision and Regulation; there is a College of Supervisors which is being set up to improve the supervisory skills of our personnel; and an internal research and analysis wing is being set up within the regulation and supervision departments to support them with analytical and research inputs. Because of the interconnectedness of our financial system, this research and analysis wing will be able to see things together; correlate them and look at issues holistically; and identify the possible vulnerable areas and the possible weak or fragile spots, if any, that are showing signs of coming up.

30. We also need to focus on 21st century banking in which a lot of activity is currently taking place in digital banking. We have put in place a 'regulatory sandbox' for FinTech. In the digital payments space, the Reserve Bank has played an important role in creating a kind of a model (Unified Payments Interface (UPI)) that is being watched internationally. The Bank of International Settlements (BIS), in a very recently published paper, has said that the UPI framework of India can become an international model to facilitate quick and seamless payments not only within countries but across countries. The National Payments Corporation of India (NPCI) has decided to set up a subsidiary to focus on taking the UPI model to other countries as a business proposition.

Role of Communication

31. While doing all these, an important area which is not often discussed about, but which I would like to specifically mention is communication. While there have been divergent opinions about central bank communication, there is no denying the fact that it plays a very important role in the functioning of a central bank. Some central bankers in the past have believed that central bank communication should be delightfully vague. That is, at the end of a Governor's talk, when one tries to understand what he said, one realises thathe has said nothing or nothing new. The counter view is that central bank communication should give clarity, should bring about transparency in its policymaking and should also give some forward guidance.

32. It is for you to assess how we have fared in this aspect, but we have tried to strengthen our communication in the recent months. I would not say that it is for the first time - as it has happened earlier too - but that, by and large, the focus of RBI's communication has been to give greater clarity to what goes behind decisions and be as transparent as possible. In fact, I can share that in the last few months, whenever we have taken any major policy decision, we have had detailed and long meetings with analysts, researchers and media personnel. We have also had discussions with academic bodies and research institutions and these are held closed-door so that a free and frank discussion can flow, and we can try to explain what has gone into the decision-making process. For the first time, we have also started giving forward guidance about our major policy decisions, especially with regard to monetary policy. Let me give some examples:

i) About six months ago, in one of the monetary policy committee (MPC) resolutions, we had said that growth is a matter of highest priority as long as inflation is under control. We gave a very clear message that so far as the Reserve Bank is concerned, so far as the monetary policy is concerned, and so far as the MPC is concerned, growth is a matter of highest priority.

ii) To give some amount of forward guidance to the market and the analysts, after we had changed our stance to accommodative a few months ago, we had said in the MPC resolution that the Reserve Bank will continue the accommodative stance as long as necessary to revive growth

while keeping in mind the inflation target.

iii) When we took a pause in the last MPC meeting, I do not know why the markets said that they were surprised. I was told that the market was surprised by our policy decision in February, but subsequently I am happy and want to thank all of you for accepting that it was the right call to take. This time around too, with the pause that we have taken, I do hope that the events will unfold in a manner which will prove that the MPC's decision was right. But that is not the point I am trying to make and only time will tell how the situation evolves. When we took the pause, the MPC very clearly recognised that monetary space is available, and it will use this space as per requirement, keeping in mind the incoming data regarding inflation and growth. This can be construed as an example of forward guidance wherein the reasons for the pause have been very elaborately explained in the MPC resolution and in the statement which I made during the press conference. It is available on the RBI website. In our decision to take a pause, while we have said that there is space for further monetary policy action, we have very carefully and very definitively also said that the timing will have to be decided in a manner that its impact is optimum and maximised.

33. We have, in fact, in other policy measures also, tried to bring about a lot of transparency, showing our focus on communication. To explain the power of communication, let me mention the 2008 Global Financial Crisis and the expansionary policy that the US Fed adopted at that time. The communication at that time was very powerful; therefore, it was accepted by the international markets and the analysts. Everybody understood exactly what the Fed was going to do. In 2013, during the so- called taper tantrum, the US Fed's communication was not aspowerful - a mere mention that they are perhaps going to roll back or unwind the expansionary policy - created a huge havoc and volatility in the international financial markets. Communication, therefore, is a powerful tool. Any decision that is taken by the central bank has to be backed by communication. Of course, communication should be backed by action and it should never be empty words.

Conclusion

34. Let me conclude by saying that in a complex and interconnected economy such as India, challenges emanate from the spheres of monetary policy, regulation and supervision of financial markets as well as detection of frauds, risk management functions and internal control systems of banks and non-banks, amongst others.

35. Consequently, there is never a dull moment in the central bank. It is always full of challenges; what is important is that we should respond to these in time. Recently, an old timer in Mumbai told me that you have winds blowing from two different directions in the top floors of the Reserve Bank. I thought he was talking about the role of the Reserve Bank and how complex it is until I realised that he meant that the wind actually blows in from two different directions. My reply to him was:

"Well, that would demonstrate how complex and challenging is the role of Reserve Bank in a complex economy like India!"

Thank you!

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1 The extempore speech has been transcripted and marginally edited.

2 As at end-September 2019, CRAR improved to 15.1 per cent from 14.3 per cent at end-March 2019.

Courtesy Reference:
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In Conversation

SAMEER PATIL

Chief Business Officer

“Like always, I advise retail investors not to be carried away by the euphoria, not to invest in penny stocks without understanding the details, don’t fall prey to fly-by-night operators or seek advice from unqualified people and only invest only in safer instruments, good companies or opt for the mutual funds’ route to invest.”



BSE Ltd.

1 How do you view the budget announcements?

Announcements made in Budget 2019 and 2020 have reiterated the importance of GIFT IFSC as an emerging international financial services hub. Establishing a unified regulator has been put it in a fast track mode. The government and the Reserve Bank have taken various measures to permit Rupee derivatives to be traded at IFSC. Recently, market regulator Securities and Exchange Board of India (SEBI) capped position limit at US$ 1 billion for market participants trading in the Gift city IFSC for currency futures and options contracts involving rupee. Offshore market or overseas heading in rupee exchange rate market has grown bigger than domestic market, which will possibly be curbed with the regulator approving rupee derivatives at GIFT city.

The government also proposed to set up an international bullion exchange at GIFT city, which will lead to better price discovery of gold, job creation and enhance India's position in such market. BSE was the first exchange to advocate setting up of a Bullion Exchange in GIFT city, and have been acknowledged in the Niti Aayog report on Gold. Other sops include extending income tax waiver of up to 10 years from 5 years, reduced withholding tax, exemption from dividend distribution tax from current and accumulated income to companies and mutual funds, exemptions on capital gains tax to Category-III AIFs and interest payment on loan taken from non-residents are also a big boost for investments in India. Overall I believe that the Budget is a big positive from the capital markets' perspective.

2 BSE winning the game in new products - strategy ahead.

‘To be built to last, you must be built to change.’ BSE has precisely done that. We have changed with the times and yet remained rooted in our purpose and values. BSE is reinventing as a financial distribution powerhouse by revamping its traditional portfolio of products and strengthening its place in India's financial services space. BSE is now leveraging to maximize the potential modern technology and innovations in technology to usher in a digital revolution in India. In a nutshell, BSE is evolving from being dependent on equity segment to a more broad-based approach involving mutual funds, commodity derivatives, currency derivatives and so on. Among new products, BSE is effectively the market leader or inching towards leadership position, be it Mutual Funds, currency derivatives, commodities among newer exchanges, and listing of bonds and e-IPO's.

Going forward, we are lookingto augment the StAR MF framework by introducing distribution framework for insurance as well. BSE has set up a joint venture with EBIX Incorporated, named BSE EBIX Insurance Broking Private Limited for conducting insurance broking business, and currently beta testing is going on. We will be launching full-scale services soon. BSE along with Power Trading Corporation of India and ICICI Bank, have filed a petition with a power market regulator, Central Electricity Regulatory Commission for a grant of license for setting up of a new power exchange.In order to address various challenges impinging the growth of agriculture and the economy, as well as expanding our commodities offering, BSE will work with the Central and State Governments to facilitate and enable farmers to directly sell on the BSE platform. This will benefit farmers by eliminating need of a middleman and selling their produce on Minimum Support Price. BSE is also looking forward to launch options on commodities, details of which are mentioned in the subsequent questions.

3 STAR MF of BSE has been achieving new milestones - road ahead.

The BSE StAR MF platform has, once again, performed exceedingly well and continues to be India's largest exchange-traded mutual fund distribution infrastructure with 80% market share. The continuous growth in the mutual fund segment is in line with our expectations. This segment enables mutual fund intermediaries to process, purchase and submit redemption request of mutual fund units from the clients across India on a fully automated electronic platform.

On 10th February 2020, BSE StAR MF processed 10.10 lakh transactions amounting to Rs.1,075 Cr, a new record. Overall, the platform has surpassed 4.47 crore transactions in the current financial year FY 2020, a growth of 58%. The platform has also shown a growth of 16% in terms of Turnover.

Our BSE StAR MF mobile app (StAR MF Mobility) has processed over 2.26 Lakh transactions since its launch, amounting to Rs 1,991 crore. The app was launched to help the distributor and the IFAs (Independent Financial Advisors) to register clients on real-time basis and execute paperless transactions. It is the superior support system and distribution reach of BSE StAR MF that is enabling the platform to grow exponentially with over 55,000 registered distributors in India.

Going forward, we expect more transactions to happen via this route.

4 Equity market outlook amidst world economy uncertainty - how do retail investors absorb them - your guidance to retail investors.

In 2019, the Indian stock markets reached record highs and witnessed everything from soaring commodity prices and trade barriers, to a volatile rupee and uncertainties in the banking and non-banking space. Despite these volatilities, Indian capital markets stood resilient primarily due to robust inflows from investors who kept faith in the fundamentals of the Indian economy.

In my view, 2020 is also expected to be a volatile but positive for the capital markets in India thanks to sustained buying and the ongoing cyclical recovery in the Indian economy which should help corporate earnings. Other than these, the key factors which will shape the coming year is obviously the ongoing reforms from the Government perspective, but also positive outlook in terms of macro indicators, crude oil prices, global cues and the rupee.

Like always, I advise retail investors not to be carried away by the euphoria, not to invest in penny stocks without understanding the details, don't fall prey to fly-by-night operators or seek advice from unqualified people and only invest only in safer instruments, good companies or opt for the mutual funds' route to invest.

5 Role of Exchanges in preventing frauds in capital market.

Exchanges are key intermediaries linking the investor and the regulator, and as such, they play a crucial role to ensure a competitive and secure market. At BSE, we take the role of preventing frauds as a top priority, and have taken various measures to ensure the prevention of frauds. BSE has implemented Big Data capabilities for its real time surveillance and rumors detection. Extending the scope of surveillance beyond the traditional means, BSE has effectively implemented the Social Media analytics using Artificial Intelligence and Machine Learning. We have also entered into the area of Audio to Text and Video to Text conversion, to predict rumors and verification of news floating in the market on BSE listed companies and its impact on the stock market.

BSE has also taken bold steps in implementing contemporary technologies, viz. Artificial Intelligence and Machine Learning in its Surveillance function. Constant enhancement in the Cyber Security Framework and Information Security Management System also continues to be BSE's top priority. This would go a long way in ensuring critical infrastructure protection and will pave a way to help BSE and its investors a secure working environment and protecting our national interests.

6 Retail Investors moving towards Mutual Funds v/s Direct Equities.

Retail Investors prefer long term safe products while the markets have in the recent past have trended towards speculative short-term products like futures and options. The enticement of speculative products is not sustainable in the long term. Losses in speculative trading causes investors to totally exit markets totally. As a result, retail participation in capital markets in India have taken route via managed routes such as mutual funds.

According to data available, there are 87.13 million accounts in the mutual fund industry as of December 2019, of which 89.8% is accounted for by retail investors. The MF industry had added, on average, 9.55 lakh SIP accounts each month during FY2019-20, with an average SIP size of about Rs 2,850 per account. The growing retail monthly SIP contribution is a thumping recognition of the retail investor acceptance of mutual funds as an avenue for long term wealth creation despite the market volatility.

Intermediaries in the MF space, like BSE StAR MF have taken long-term steps to deepen the penetration of mutual fund culture. Primarily, technology adoption and easy access to information have altered consumer trends in the mutual fund industry significantly. Tech adoption has been a win-win for all - the industry, intermediaries and investors. It has deepened the industry's penetration, allow it to improve efficiency and reduce costs, and ultimately bestow these benefits on investors. Recent regulatory changes pertaining to classification of schemes have also helped transform MFs into more standardized products for investors. Reduction in Total Expense Ratio (TER) coupled with the regulatory and technology push have enabled MF industry to leapfrog to the next stage.

Although the Mutual fund industry has witnessed significant growth recently, there is still a long way before we catch-up the advanced economies. For instance, the mutual fund AUM/GDP ratio is significantly low at 13%, compared to 114% in Australia, 91% in the US and 51% in the UK.

7 Use of Technology v/s Job loss challenges for Indian economy especially in financial services area.

In today's marketplace there is an insatiable demand for real time information and thus the role of technology becomes so critical. Technology has enabled availability of a bouquet of services on our fingertips. It has also provided a link between customers, regulators and other institutions to transact faster and in a secured manner. It has helped us achieve scale, speed, and market reach at a low cost. At 6 microseconds, BSE has become the fastest exchange in the world thus ensuring better price discovery by increasing the speed of trading manifold.

At the same time with various mobile based applications technology has helped us to reach virtually every corner of the country. It has enabled citizens living in remote locations of the country to participate in the capital markets and banking. While Exchanges have traditionally followed broker model, harnessing new technology has helped it connect to Distributors in the Mutual Funds Segment. BSE Star MF platform is India's leading platform for mutual funds distribution and is accessible "anytime" from "anywhere" thereby transforming the industry. The platform is connected to all the stakeholders required for transaction processing i.e. AMCs, RTAs, and Depositories with clearing banks at backend and a single interface to Mutual Fund Distributors. Similarly, the Jan-Dhan, Mobile and Aadhaar (JAM trinity) has transformed the banking space.

Low cost technology solutions are a strategic tool in today's age, and therefore it is absolutely essential to adopt them in financial services area.

8 Alternate question - BSE's role in getting more retail investors into the capital market.

According to data from the Securities and Exchange Board of India (Sebi), both new demat accounts, and the total number of such accounts hit a 10-year high in 2019. While new demat account openings rose 12.5% from the previous year to touch 4.5 million, total demat accounts at the end of 2019 stood at 39.3 million, up from 34.8 million in 2018. This is barely 10 percent of the estimated 400+ million working population as per the government. Retail investors also constitute only approximately 13% of the stock ownership in India. The number of demat accounts in India is less than 10% of the number of banking accounts.

The above facts indicate a strong potential for participation by retail investors in Indian capital markets. Improved ease of access to information and increasing mobile penetration are playing an important role in deepening participation of retail investors. Regulators, Exchanges and intermediaries including BSE have been contributing with a number of measures such as financial literacy, simplification of KYC norms, creating transparent platforms focused towards retail investors.

The BSE through its Investor Protection Fund (IPF), regularly conducts investor awareness programmes (IAPs), a few of them exclusively with SEBI across different parts of the country through 26 Investor Service Centers across India covering all the major state capitals.

9 BSE foray into commodities market - challenges and opportunities.

The BSE traces its roots to cotton trading during the 1850's and we are focussing on attaining leadership position in commodities. With approvals in place, BSE now offers trading in a wide spectrum of commodities which includes gold and silver in our precious metals portfolio, first of its kind Oman Crude and Brent Crude in energy, first of its kind delivery-based copper futures contract among base metals and Guarseed, Guargum, Cotton, and turmeric among agri commodities. We have received overwhelming response in these contracts, with BSE registering considerable market share in a short duration of launch. We are also awaiting regulatory approval for launching Kapas, Steel and first-of-its-kind almond contracts. BSE is aiming for the systematic development of the commodity market via product innovation, awareness and research with a view to provide a wider product range to the market participants.

BSE has always prided itself as an investment exchange and not one for speculators. With this principle, BSE has emphasized on physical delivery as an integral part of our commodity derivatives platform and attained delivery of close to 16,400 tonnes across all commodities on our platform as of December 2019.

With a view to further widen and deepen the commodity markets in India, BSE took the lead and was the coordinator in a working group constituted by SEBI to study the introduction of new products. One of the major recommendations of this working group was the development of options segment by permitting exchanges to introduce options on spot prices of commodities instead of futures prices. Subsequently, the Government of India issued a legal notification to this effect which will paved way for BSE and other exchanges to launch options trading based on spot prices. Commodity options can now be settled directly based on spot prices instead of the current

practice of options devolving into futures first. With options on goods, participants can actually give or take delivery of the underlying without getting into the futures contract at the time of expiry. Secondly, in case of cash settled contracts, options can be settled on the spot of the underlying. This will not only enable exchanges to launch innovative by enable the rollout of farmer-friendly new options but also paves the way for the integration of the spot market with the derivatives market.

BSE has identified products and in the process of applying to SEBI for launching options on commodities. We are excited about the bright prospects in the commodity markets with the impeding launch of options to be settled on spot prices, rather than the existing futures prices. I can confirm that this is just the start of the long list of innovative products we plan to introduce on our commodity trading platform, thus adding more value to the existing commodities ecosystem. With several new and innovative products, stress on continuous improvement and an established culture of serving its stakeholders, BSE is aiming at attaining greater heights and achieving the next stage of its growth

10 BSE foray into International Financial Exchange and India's attractiveness to foreign investors

In Jan 2017, BSE launched India International Exchange (IFSC), India's first international exchange at Gujarat International Finance Tec-City (GIFT City).

Since then, cumulative trading volume on INDIA INX derivatives has crossed USD 738 billion with 55+ million contracts traded as of Feb 11, 2020. The daily trading turnover has grown exponentially from less than USD 1 million to over USD 3 billion now and propelled India INX to be the dominant IFSC Exchange with market share of over 81% in derivatives trading. INDIA INX index derivatives trading on India 50 Futures and Options now exceeds the volumes of SGX Nifty at the Singapore Exchange. All this has been achieved in a short of span of over 3 years.

Global Securities Market, our primary platform, offers a debt listing framework at par with other global listing venues like London, Luxembourg, Singapore, etc. Since launch in Jan 2018, Global Securities Market has been the preferred offshore listing platform of choice for Indian issuers with 100% of all Medium Term Note Programme (MTN) and 99% of all bonds under External Commercial Borrowing at GIFT IFSC listed with us. India INX is also the first introducer of Green Securities Platform for issuance of green bonds. Till date, Global Securities Market has established USD 46+ Billion in MTN Programme and more than USD 20 Billion of bonds. We have now effectively established ourselves as a serious rival to other international financial centres for Indian Issuers raising money from international investors.

India INX's vision, in a way, is witnessing the trajectory and aspirations set by Prime Minister Narendra Modi in his inaugural address of the exchange "In ten years, IFSC set up at GIFT City should become a price setter for few of the largest traded instruments in the world - across currencies, commodities, equities, interest rates or any other financial instrument and should become a leading fund raising destination for Indian and Foreign issuers."

Without a doubt, India INX has taken the initiative to be a pioneer in India's IFSC mission by being the first to market on several products across asset class. This has also augured well in developing confidence of all foreign participants/ members and in offering a balanced portfolio of products to members and clients who used to trade in locations such as Singapore and Dubai.

Sameer heads the Business Development of the exchange including equity & equity derivatives, currency derivatives, commodity derivatives, fixed income, debt and mutual funds.

He is instrumental in setting up and responsible for Business Development of INDIA INX at GIFT CITY IFSC. Currently, INDIA INX has more than 90% market share.

He is a board member of INDIA INX Global Access (INDIA INXGA).

He has about 21 years' of experience in financial sectors like Commodities, Currency Derivatives, Indices etc and has experience in Trading, Hedging Strategies, Product Designing and Business Development.

He was associated with MCX since inception for more than a decade as Senior Vice President - PKMT (Precious Metals) & Business Development and K J Investors Services (I) PVT LTD, an affiliate of Cargill Investors Services, Illinois, Chicago, USA as Senior Financial Analyst.

He is credited for successful launch of the flagship contracts on MCX the Gold, Silver, WTI Crude Oil and Copper contracts. The Gold Petal contract launched on April 18, 2011 was awarded as the Best Innovative contract of the year by FOW Singapore.

He is awarded the "India UAE business Ambassador of the year 2018" at Abu Dhabi and was nominated for the prestigious IIFC awards for excellence in respective fields. Past recipients of the awards being Mother Teresa, APJ Kalam, Rajesh Khanna, Sunil Gavaskar etc.

He is Science Graduate from Mumbai University and MBA in finance.



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In Conversation

ARUNKUMAR GANESAN

Head Business Operations & Listing



"The current Government is not only making structural and administrative changes but has also given new directional leads with many new initiatives like Digital India, Make-in-India, smart cities as well as the IFSC. The IFSC would dovetail well with this vision, reduce dependence on foreign capital, serve the Indian diaspora, create jobs in India and generate revenues for the Government. Thus, it can be an engine of growth give India a leading share in global international financial and related professional services centre."

INDIA INX

INDIA INTERNATIONAL EXCHANGE

India International Exchange IFSC Ltd. (India INX)

Financial centres are key to sustain economic growth, as they provide the infrastructure for investment that drives entrepreneurial endeavours. Their prime purpose is to meet growing funding needs, and these are expected to be particularly high for the next ten to twenty years. In a world confronted with complex issues - including technological disruption, climate change, population and social issues - access to market financing, accelerated market opening and the competitiveness of the financial centres have become major new challenges, for the satisfaction of economic and social needs.

1 Case for an IFSC in India:

For sustainable growth and development, India can no longer afford to rely only on its manufacturing sector. It has to strengthen its services sector as well, particularly financial services and technology. An IFSC will be an important catalyst in this process. The current Government is not only making structural and administrative changes but has also given new directional leads with many new initiatives like Digital India, Make-in-India, smart cities as well as the IFSC. The IFSC would dovetail well with this vision, reduce dependence on foreign capital, serve the Indian diaspora, create jobs in India and generate revenues for the Government. Thus, it can be an engine of growth give India a leading share in global international financial and related professional services centre.

2 GIFT City

With this vision, Gujarat International Finance Tec-City (GIFT), Gujarat, India has set up International Financial Services Centre (IFSC) - the only approved IFSC in India. The GIFT IFSC is a gateway for inbound and outbound business from India, and fast emerging as a preferred destination for undertaking International Financial Services. The GIFT IFSC covers banking, insurance, capital market and allied services covering law firms, accounting firms and professional services firms. It provides very competitive cost of operation with competitive tax regime, single window clearance, relaxed Company Law provisions, International Arbitration Centre with overall facilitation of doing business.

3 India INX - the Preferred Destination to invest in India

In Jan 2017, BSE launched India International Exchange (India INX) India's first international exchange at GIFT City. The exchange a subsidiary of BSE, was inaugurated on January 2017 by Hon'ble Prime Minister Shri Narendra Modi as the first International Exchange at IFSC.

As on Feb 21, 2020, cumulative trading volume on India INX derivatives has crossed USD 764+ billion with 57+ million contracts traded. The daily trading turnover has grown exponentially from less than USD 1 million to over USD 3 billion now and propelled India INX to be the dominant IFSC Exchange with market share of over 81% in derivatives trading. INDIA INX index derivatives trading on India 50 Futures and Options now exceeds the volumes of SGX Nifty at the Singapore Exchange. All this has been achieved in a short of span of over 3 years.

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India INX's vision, in a way, is witnessing the trajectory and aspirations set by Prime Minister Narendra Modi in his inaugural address of the exchange "In ten years, IFSC set up at GIFT City should become a price setter for few of the largest traded instruments in the world - across currencies, commodities, equities, interest rates or any other financial instrument and should become a leading fund raising destination for Indian and Foreign issuers."

4 Next Steps

Announcements made in Budget 2019 and 2020 have reiterated the importance of GIFT IFSC as an emerging international financial services hub. Establishing a unified regulator has been put it in a fast track mode. The government and the Reserve Bank have taken various measures to permit Rupee derivatives to be traded at IFSC. Recently, market regulator Securities and Exchange Board of India (SEBI) capped position limit at US$ 1 billion for market participants trading in the Gift cityIFSC for currency futures and options contracts involving rupee. Offshore market or overseas hedging in rupee exchange rate market has grown bigger than domestic market, which will possibly be curbed with the regulator approving rupee derivatives at GIFT city.

The government also proposed to set up an international bullion exchange at GIFT city, which will lead to better price discovery of gold, create more jobs and enhance India's position in such market. Other sops announced include extending income tax waiver of up to 10 years from 5 years, reduced withholding tax, exemption from dividend distribution tax from current and accumulated income to companies and mutual funds, exemptions on capital gains tax to Category-III AIFs and interest payment on loan taken from non-residents. Key measures related to aircraft leasing business, reinsurance business, tax reforms, will enable significant offshore finance activities to take place and create jobs at GIFT city. It will bring back billions of dollars of business which we have been losing to other competing global financial hubs.

5 Future Outlook

The budgetary announcement is in line with Prime Minister (PM) Narendra Modi's vision that GIFT City would become a price setter in some of the world's largest traded instruments in the next 10 years. With India 50 Futures and Options exceeding the volumes of SGX Nifty at the Singapore Exchange, the aim of bringing offshore equity trading has taken shape. Soon, offshore rupee trading will also start getting traction, as India INX prepares to launch contracts, and currently awaiting regulatory approval. The government also proposed to set up an international bullion exchange at GIFT city, which will lead to better price discovery of gold. India is the second largest consumer of Gold and this is a step forward in becoming "price setter" from its current status of price taker.

India offers businesses ample opportunity for growth, and GIFT city is the unrivalled financial centre in the region to facilitate an access to world class financial markets in India. It also promotes financial technology and drives the development of niche markets such as green finance. Located at the crossroads of continents, India provides unprecedented conditions and opportunities for its participants and investors: legal system based on the principles of the English law, independent regulatory framework consistent with internationally recognised standards, best tax regime, depth and breadth in financial services and instruments', and English as a working language. For financial institutions searching for an ideal location to set up a service centre and operationalize their transformation, GIFT city offers advantageous tax incentives aimed at facilitating the establishment and development of financial services in India.

Arunkumar Ganesan is currently the Head of Business Operations & Listing in India INX and MD & CEO of India INX Global Access. He has more than 24 years of experience in the areas of Trading Operations, Clearing & Settlement, Custody Operations and Internal Controls. He has previously worked in National Stock Exchange (NSE), Dubai Gold & Commodities Exchange (DGCX), HSBC, Bahrain Financial Exchange and Larsen & Toubro in various roles. He is a qualified Chartered Accountant and Cost Accountant.



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In Conversation

RISHI NATHANY

Head - Business Development & Marketing



"The Indian commodity market has a lot of unexplored potential for growth. Much of the Indian economy is still heavily commodity-centric - in both the secondary and primary sectors. Therefore, the growth of the Indian economy is closely intertwined with the growth of the commodity derivatives market as stakeholders seek out an avenue or platform for commodity price discovery and risk management."

MCX
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Multi Commodity Exchange of India Ltd (MCX)

1 Gold as an asset class as World Economy becomes more turbulent.

The world economy is going through a turbulent phase, the ripples of which are being felt in the Indian economy too. From the beginning of the year, geopolitical events and fear of a major pandemic associated with the Covid-19 virus has led to a surge in demand for assets considered as safe havens. Naturally, the demand for gold has increased, as a result.

In India, gold has traditionally been considered as an all-weather inflation-proof investment tool. Gold is also preferred by investors for its portfolio diversification traits given its weak correlation with other asset classes such as equities. India continues to be one of the highest importers of gold and in 2019 had imported 646.8 tonnes of the yellow metal, as per data maintained by the World Gold Council. As money, jewellery, status symbol and investment, gold has played a crucial role in the lives of Indians for centuries. However, the accumulation of physical gold as an investment has its limitations.

With the emergence of innovative financial products, such as futures and options of gold, which do not need hoarding of physical gold, the appeal of gold as an asset class has increased.

MCX has been offering gold futures contracts of various denominations, as well as a gold options contract with gold 1 kg futures as the underlying, to meet the hedging and investment demand of a plethora of stakeholder groups. Average daily turnover of MCX gold has been Rs.6,455.87 crore during the current financial year (Apr 2019 - Feb 2020) and a total of 9.35 tonnes of gold has been delivered through the MCX platform during this period, indicating the faith of the stakeholders on the robustness and integrity of this platform.

As mutual funds have been allowed to trade in commodity derivatives, AMCs are launching schemes which include gold futures, making gold futures available to large sections of the investor community, including retail investors.

2 Impact of crude prices (Joker in the pack) on the Indian Economy.

Crude oil has rightly been termed the 'joker in the pack' for the Indian economy, given the high unpredictability in its movements and universal usage in practically all sectors of the Indian industry. Crude prices have been highly volatile in the last one year. MCX Crude Oil rose by more than 45% in the first four months of 2019, but corrected by over 22% from its peak by first week of June, again making good the fall by the end of 2019. This indicates the high degree of volatility which certainly has had an adverse impact on India, a country meeting more than 80% of its demand for crude oil through imports. For an importing nation like India, rising crude prices, especially with pass-through to consumers, contribute immediately to inflation, while India's trade deficit takes a beating. While falling crude prices should generally help India, the fall is often associated with an adverse macroeconomic environment, so that the benefit of the fall cannot be fully realized.

Be a rise or fall, one thing is certain about crude oil markets: volatility is going to remain at elevated levels in the future too, necessitating stakeholders exposed to this commodity to hedge against the associated risks and uncertainty. The uncertainty in supply will possibly be further exacerbated by uncertainty in demand with rising popularity of electric vehicles. Besides, with retail prices of petroleum products fully market linked, even the common man now faces the volatility in prices of petrol and diesel on a daily basis, underscoring the importance of hedging.

3 Potential for commodity derivatives markets in India.

The Indian commodity market has a lot of unexplored potential for growth. Much of the Indian economy is still heavily commodity-centric - in both the secondary and primary sectors. Therefore, the growth of the Indian economy is closely intertwined with the growth of the commodity derivatives market as stakeholders seek out an avenue or platform for commodity price discovery and risk management.

One of the measures of the potential for growth of a market is the ratio of its size to the size of the country's GDP. This ratio for commodity derivatives market is about 3.3 for USA and 1.9 for China while it is less than 0.4 for India, clearly demonstrating the potential for growth of India's commodity derivatives market.

Besides, the increasing digitization and adoption of technology in organizations, business processes and even consumer interfaces helps to enhance the reach of a technology-based trading platform like that of MCX. Riding on the back of an ever-evolving user-friendly technology, the Exchange can take its products and the benefits of the market to the yet untapped potential participants through digital platforms.

With several reforms playing out in the commodity derivatives market, especially those which broaden the scope of participation and availability of products, we are confident that we are treading in the right direction and with steady pace towards realizing the market's potential.

4 Commodity as an asset class for investments from retail investor viewpoint.

Regardless of the size of the investor - be it an HNI or retail - commodities offer several unique propositions which appeal to their investment needs. Commodity investments carry unique characteristics and benefits such as portfolio diversification, a hedge against inflation, low volatility in returns etc. - all of which appeal to retail investors.

Often, retail investors have good knowledge about commodities, but are not able to monetise this knowledge by investing in physical commodities, since owning and holding physical commodities is cumbersome. Commodity derivatives provide an excellent avenue for financial investing to such investors, without necessitating physical holding.

However, sometimes, lack of education about the modalities of trading in the commodity derivatives market dissuade retail participants from participating in this market. With the entry of institutional participants in India's commodity derivatives market, which is gradually easing the access of retail participants in the market, retail investors will be able to take full advantage of investing in this new asset class.

5 Steps to bring in more retail investors in commodity trading.

Several regulatory changes in the recent past have paved the way for widening the access of the investing public, especially retail investors, to commodity derivatives. In March 2019, Mutual Funds were allowed to participate in exchange-traded commodity derivatives. Following regulatory approval and permission for custodial services in select commodities, an AMC has just launched a scheme on multiple asset classes, including commodity derivatives, becoming the first AMC to do so. It is learnt that several more schemes with commodity derivatives, by many other AMCs are also in the offing.

Earlier, in September 2017, the Reserve Bank of India had permitted the broking subsidiaries of banks to offer distribution services in the commodities space too. Given the extensive network and reach of these entities, it is expected that retail participants from all corners of the country can find access to the commodity derivatives market through their intermediation services.

In another major development, the market regulator had permitted unification of stock and commodity broking entities. This paved the way for several large brokers to create unified broking firms by amalgamating their stock and commodity arms, which helped create economies of scale and scope in their operations, enabling them reach out more effectively to unreached potential investors.

Apart from the above reforms aimed at widening the scope of participation of intermediaries which can bring in more participation, the market regulator has been taking steps to strengthen the risk management framework in the commodity derivatives segment of stock exchanges. Measures such as enhancing the margin period of risk, imposing extreme loss margins, enhancing the Settlement Guarantee Fund, prescribing the default waterfall mechanism, etc. have helped strengthen the risk management system of exchanges. These measures are expected to build the trust of stakeholders in exchange-traded commodity markets and attract their participation.

6 What are your plans for launching products on commodity indices?

MCX has launched a new series of indices under the name MCX India Commodity Indices, or MCX iCOMDEX, which are based on commodity futures contracts traded on MCX. The indices conform to the SEBI-prescribed guidelines for the design of commodity indices and the financial benchmarks set by the International Organization of Securities Commissions (IOSCO) in construction, administration and governance.

MCX iCOMDEX are excess return indices which consist of a Composite Index (MCX iCOMDEX Composite Index, consisting of eleven liquid futures contracts across different segments traded on MCX), two sectoral indices (MCX iCOMDEX Bullion Index and MCX iCOMDEX Base Metals Index) and four single-commodity indices (MCX iCOMDEX Gold Index, MCX iCOMDEX Silver Index, MCX iCOMDEX Copper Index and MCX iCOMDEX Crude Oil Index). These indices have a base value of 10,000 as on December 31, 2015 and the historical index values since then are available and disseminated to the public.

Subject to regulatory approval, we plan to launch futures contracts on some of the MCX iCOMDEX indices, which would provide investors the opportunity to invest on the basis of their directional views on the commodity sector. This would complement the investment opportunities available in derivative contracts on individual commodities.

Rishi Nathany is the Head of Business Development & Marketing at MCX.

He is a Commerce graduate, a Certified Financial Planner and an alumnus of IIM, Kozhikode.

He has over 25 years of rich and diverse experience across the financial services domain, from equity, commodity, currency and insurance broking, financial planning, training, wealth and portfolio management to the exchange business.

Prior to joining MCX, he has held CXO level positions in various financial services companies and exchanges.

A passionate writer and speaker, his articles on finance and markets regularly appear in various media. He is regularly invited to speak or moderate at various industry events. He has imparted intensive training programs to leading banks, fund houses and insurance companies.

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In Conversation

VIJAY KUMAR V.

Managing Director &
Chief Executive Officer



"The Exchange has maintained its leadership position since 2005, in the agricultural commodity derivatives market, in terms of ADTV. The Exchange offers services across the entire post-harvest agricultural commodities value chain, which the Exchange believes has enabled us to create a wide network of stakeholders and market participants."

NCDEX
Pragati ka Solid Exchange

National Commodity and Derivatives Exchange Ltd. (NCDEX)

1 Indian economy still agriculture driven - reality or myth?

Agriculture has always remained a matter of prime importance whenever growth of Indian economy is discussed and I would like to mention a very special quote from Dr. M S Swaminathan "If agriculture goes wrong nothing else will have a chance to go right in the country."

More than 60 percent of India lives in rural and semi urban areas, where agriculture still happens to be one the key sectors that provides direct and indirect employment. The contribution of agriculture in Indian Economy therefore, holds a significant importance and its performance deeply impacts a number of people.

The government too in its Economic Survey and Budget, which followed this year, identified that the agriculture sector can be a wealth creator to the country's economy and allocated Rs 2.83 lakh crore for agriculture and allied activities, irrigation and rural development. According to the Economic Survey, in 2019-20, the gross value added (GVA) of agriculture and allied sectors in current prices is expected to be Rs. 30.47 lakh crore against Rs. 27.76 lakh crore in 2018-19.

Having said that, we have something to cheer and to be proud of that agricultural production in the country has seen a continuous upward trend. As per Second Advance Estimates for 2019-20, total food grain production in the country is estimated at record 291.95 million tonnes which is higher by 6.74 million tonnes than the production of foodgrain of 285.21 million tonnes achieved during 2018-19. Meanwhile the total oilseeds production in the country during 2019-20 is estimated at 34.19 million tonnes which is higher by 2.67 million tonnes than the production of 31.52 million tonnes during 2018-19. Even in Pulses we are now moving to self-sufficiency, thanks to Government's efforts and Indian farmers who made it happen.

There is a need to specially mention that the increasing production and decreasing prices have become a concern for Government and farmers both. While Government is initiating many schemes to fulfill its commitment of doubling farmers' income, it has become a national challenge to manage high production and low prices scenario. I believe that multiple initiatives like Farmer Producer Organizations (FPO), crop and weather insurance, improved infrastructure and use of new age tools like Futures and Options (F&O) shall play an important role in ensuring better realization to farmers.

Seeing the importance of post-harvest management and marketing of agriculture produce, the Indian Government has been working tirelessly to develop a robust agriculture-marketing system in the country. To provide better market access to farmers, Government has launched eNAM (the e-trading platform for the National Agriculture Market), an online trading platform for agricultural commodities, in 2016. The market has been helping farmers in terms of better price discovery and providing facilities for smooth marketing of their produce. Creating a barrier free market enhances competition & transparency in transactions and widen choice to farmers for sale of their produce. Besides not only the government is working towards making an efficient spot market, but also that, there has been significant reforms in developing an alternative market such as derivatives market.

FMC merging with the SEBI has also opened up fresh hopes with its range of initiatives that SEBI took to develop commodity derivatives market. A key development is launch of Options contracts. This would pave way for farmers and small and medium enterprises tohedge easily and this move could meaningfully deepen the 16-year-old commodity derivatives segment.

If there is a crop failure, there is a provision of Crop Insurance. However, there is no protection available in case, prices fall post harvesting of crop. With the Put Options provided by Commodities Derivatives Market, the farmers are hedged against price fall while on another hand can benefit any price rise.

2 In your opinion, what steps are needed to get more retail participation in agriculture commodities?

The agriculture industry represents an important component of the Indian economy both in terms of its contribution to GDP as well as a source of employment. This sector is currently under penetrated but shows immense opportunities, with India presently being one of the world's largest agricultural producers by value. Thus, we believe that such a scenario offers immense potential for growth and a large addressable market for us.

In order to reach this target, the Exchange is working with each segment of the commodity value chain starting from farmers and FPOs to traders and food processing companies, to increase their respective participation. For this purpose, we continually conduct workshops and awareness programs, provide support to FPOs and hedgers, and provide linkages to trading members, which is supplemented by our existing technology infrastructure.

3 Enhanced storage and logistics facilities are extremely important to ensure smooth delivery and storage of agriculture produce. In your opinion, what are the high points and what are the challenges that needs to be addressed?

According to a CIPHET study, though India is growing more food, at the same time, it is also wasting up to 67 million tonne of it every year. The value of the food lost - Rs 92,000 crore -is nearly two-thirds of what it costs the government to feed 600 million poor Indians with subsidized ration under the National Food Security programme. One of the major reason is lack of proper storage or lack of infrastructure that is required to ensure that food is not wasted post-harvest.

Enhanced storage and logistics infrastructure reduces need for distress sales. Farmers are able to access more distant markets through logistics. Not only it avoids wastage, but also ensures that the goods can be effectively stored. Better or more 'scientific' storage infrastructure and practices ensures better quality, increases crop's suitability to end user requirements.

Having said that, the Electronic Negotiable Warehouse Receipts (eNWRs), have been a boon to the farmers as the repository system has allowed them to store the produce and sell them at a later date at better prices. The Indian commodity market has moved from century old paper-based warehouse receipts, which caused substantial problems like bad delivery, mutilation, duplication etc. to eNWRs.

However, with the enactment of Warehousing (Development and Regulation) Act, 2007 and thereafter the formulation of The Warehousing Development and Regulatory Authority (WDRA) in October 2010 was done to exercise the powers conferred on and to perform the functions assigned to it under the Act, for development and regulation of warehouses, negotiability of warehouse receipts and promote orderly growth of warehousing business.

WDRA in October 2016 came out with Guidelines for Creation and Management of Electronic Negotiable Warehouse Receipts (eNWRs), the enabling provisions of the guidelines seek to establish a system for creation and management of eNWRs through registered Repositories, paving the way for establishment of NERL.

A regulated repository ecosystem is paving the way for a far more robust and organized warehousing industry in India that provides all the stakeholders transparency, confidence and ease of doing business.

4 NCDEX has been a leading Agri Commodity Exchange. Tell us how it has been able to maintain its leadership position compared to its peers?

The Exchange has maintained its leadership position since 2005, in the agricultural commodity derivatives market, in terms of ADTV. The Exchange offers services across the entire post-harvest agricultural commodities value chain, which the Exchange believes has enabled us to create a wide network of stakeholders and market participants.

The Exchange has continuously focused on designing and developing a unique portfolio of products and services relevant to the Indian markets. The Exchange's current bouquet of products and services consists of commodity trading, eNWRs, e-markets, repository services, technological services and customized solutions to government as well as private organizations. The Exchange has a strategic focus to increase the footprint of the commodities traded on the Exchange by tapping into new / relatively untapped categories of clients such as AIFs, MFs, PMS and FPOs. The Exchange has a dedicated team for farmer engagement as well as dedicated resources for onboarding newer participants such as institutional members.

5 NCDEX's ability to handhold with FPOs is also commendable. Your take on that...

The role of FPOs is widely recognized and they are critical in strengthening, aggregating and improving farmer incomes. NCDEX has been actively engaged in training farmers, handholding the FPOs and connecting them with the Exchange platform in several states across the country.

We believe that the degree of participation by farmers on our platform is a remarkable landmark in India, considering the perception of derivatives platforms being too complex. This has been achieved on account of our farmer focused initiatives such as KissanKonnect, an event which we believe serves as a platform for stakeholders to connect with farmers.

Disclaimer: The views and opinions expressed in this article, to the extent that these do not pertain specifically to NCDEX, are personal, and do not necessarily reflect the views and opinions of NCDEX.

Vijay Kumar V. is the Managing Director & Chief Executive Officer of National Commodity and Derivatives Exchange Ltd (NCDEX), India's leading commodity exchange.

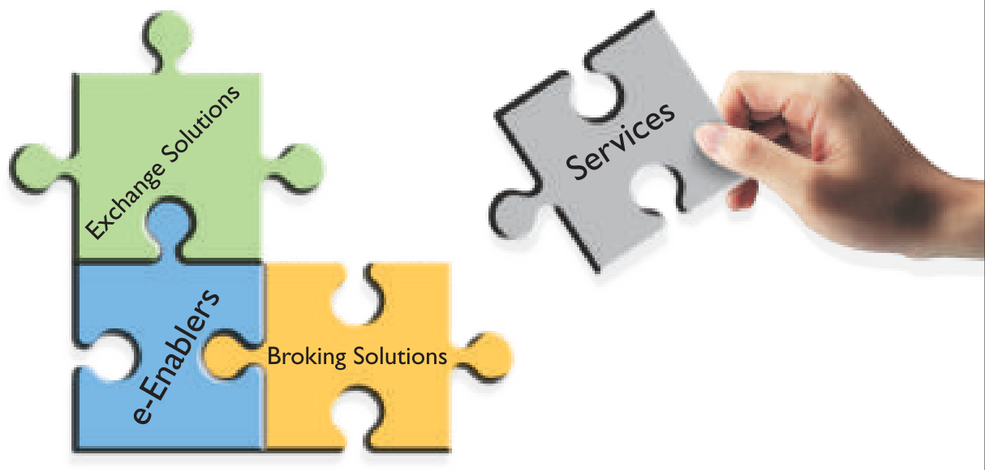
He is a seasoned professional in the commodity derivatives market. He holds a B.Tech degree in Electrical Engineering from IIT Madras and an MBA from Faculty of Management Studies, University of Delhi. He has over 25 years' experience in commodity trading, merchandising, risk management, consulting and financial services. His expertise includes strategic planning, marketing, policyand regulatory support.

Prior to joining NCDEX, he has held senior management positions at leading agribusiness firms in India, USA and Canada. He also served NCDEX as the Chief Business Officer between 2009 to 2014, where he spearheaded Product Design, Business Development, Logistics, Quant and Market Structure. He has also served asa Director on the board of National Commodities Clearing Corporation Limited (NCCL).

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In Conversation

DR. RANJAN CHAKRAVARTY

Head of Product Strategy

"The introduction of weekly currency futures and options on MSE has opened the doors to far more efficient, inexpensive and complete hedging for corporates. Now that the product is ready and approved, we need to utilize our outreach program to inform the maximum number of corporates of this development which should be most welcome news to them, and also to educate them about how they may effectively use our platform to safeguard and maximize their profits."



METROPOLITAN STOCK EXCHANGE

Metropolitan Stock Exchange of India Limited

1 Indian rupee has become very volatile.

This is a misconception. In fact, the Rupee has been range bound all through the latter half of 2019 and it continues to be so. Yes, volume in the Rupee has increased, and so has activity in USDINR options, but they have added to stability in the Rupee, not volatility.

2 Strategies Retail Investors can adopt in currency markets.

Most certainly small ticket derivative strategies would help the retail investor hedge their exposures and take speculative positions as well, especially when it comes to policy moves not only by the RBI and the US Fed, but also other Central Banks or news based moves in the currency including, for instance, the one day Rupee move due to the sudden shock in Brent crude prices caused by the Soleimani assassination. MSE's recently approved weekly FX futures and options are ideal for this purpose because the investor can benefit from these events while not having to hold month long positions which would tie up his capital and prevent him from earning returns elsewhere during the month.

3 Role of investor awareness programmes related to currency markets.

This is a critically important aspect of our continuing effort at MSE because we believe that an informed investor can potentially deliver liquidity to the system going forward, and every trade count towards our industry's objective of creating a liquid market. We certainly plan to step up our activities in this regard.

4 US Elections in 2020, will it affect rupee movement.

US elections affect global asset allocation, so India will be affected, and with it the value of the Rupee.

5 US economy revival has made Dollar stronger.

Not necessarily. The US Dollar is still the World's reserve currency and the US economy counts for only a quarter of the World's GDP. Besides, US goods and services are exported worldwide, and a strong Dollar won't necessarily help their cause. Hence, we don't attribute more than 25% of the strength in the US Dollar to the US economy's recovery. Rather, global supply and demand factors count for a lot of the Dollar's strength.

6 Currency trading affects the spot currency.

Yes, because the dynamics of forward and futures currency markets are also linked to convergence to Spot.

7 Steps to bring corporates to use currency markets for hedging.

The introduction of weekly currency futures and options on MSE has opened the doors to far more efficient, inexpensive and complete hedging for corporates. Now that the product is ready and approved, we need to utilize our outreach program to inform the maximum number of corporates of this development which should be most welcome news to them, and also to educate them about how they may effectively use our platform to safeguard and maximize their profits.

8 How can Indian currency be made strong - structural reforms or Central bank Intervention.

I am not sure if strengthening the Indian currency unilaterally is a good idea. We have to keep in mind our growing export sector and balance out the currency strengthening objective with the national objective of maximizing export earnings. The tactics of getting to a currency destination are well understood by the RBI and we are fully confident the appropriate policy decisions will be taken at the right time in this regard.

Dr. Ranjan Chakravarty is the Head of Product Strategy of Metropolitan Stock Exchange of India, India's youngest and one of the three stock exchanges recognized by SEBI.

He possesses close to 24 years of rich and extensive experience in the financial markets primarily in to research, risk management, product development and strategy across the globe. Having headed various prominent financial institutions and banks globally, he has garnered constructive market relations.

Academically, he has graduated from Graduate School, of Business, Columbia University, NY with a post-doctoral fellow from the Department of Finance, a Ph.D. in Business Administration, Finance from University of Texas at Arlington, TX, M.A. in Economics from, Maxwell School of Citizenship and Public Affairs, Syracuse University, NY, M.A. in Urban Studies - Urban Planning, from The University of Akron, OH and B.A. (Hons.) in Economics from St. Xavier's College, University of Mumbai.

Numerous research papers under his name have been published in journals worldwide. Several media appearances and interviews to highlight a few would be the one with Jim Rogers on investing in Asian equities and commodities (Bloomberg Television, June 23, 2010), Chair, ICM financial services industry conference on profiting from credit risk in emerging markets (New York, August 1997), quoted in Derivatives Strategy magazine on Risk Models (New York, June 1997).

His last corporate stint was with Training and Big Data Venture, Singapore as CEO. Prior to which he had been associated with various financial institutions such as Singapore Mercantile Exchange (SMX) and their Clearing Corporation (SMXCC), Multi Commodities Exchange Ltd. (MCX), MCX Stock Exchange Ltd. (MCX-SX), Multi Commodities Exchange Credit Market Services Limited (CMSL), Development Bank of Singapore (DBS), GE Capital, Bank of Boston amongst others.

Additionally, he has also been connected with various universities as a research consultant or faculty member like NMIMS, Syracuse University, College of Business Administration, University of Texas, College of Business, Amber University, Garland, TX.

In Conversation

NEHAL VORA

Managing Director &
Chief Executive Officer



"CDSL has introduced easi (electronic access to securities information) and easiest (electronic access to securities information & execution of secure transactions) for investors. easi is an internet based facility which allows investors to monitor their CDSL demat account and easiest allows investors to submit debit instructions through internet."

CDSL

Central Depository Services Limited (CDSL)

1 CDSL the road ahead

Keeping in tune with our core principles of providing convenient, secure and dependable services, CDSL has become the **first depository** to reach the milestone of two crore active demat accounts in India. CDSL is **first depository** to **get listed in India,** CDSL is also **first depository** to begin a **branch in IFSC, GIFT CITY,** Gujarat.

CDSL has witnessed an increase in active demat accounts by 1 crore in less than 5 years. We expect a further increase in the growth as processes are digitalized, thus offering operational convenience to our DPs and investors. We also expect to increase our Issuer base as more companies come under demat.

2 Opportunities for Depository in the Indian Financial Markets

The Digital India platform of the Government of India has provided impetus for digitalization in the country. Investors are moving fast from physical to paperless thus reaping the benefits of demat.

This trend towards demat will boost as more and more financial instruments are brought under its gambit. We have seen the trend gain momentum with respect to unlisted companies, commercial papers and may even extend to other type of financial instruments. The digital drive in India as a whole will create a host of opportunities for digitisation.

3 Financial Inclusion through demat Reality or Myth.

CDSL has observed that 74% of its demat accounts are being opened in Tier 2, 3 and 4 cities and other towns & villages while only 26% of its demat a/c are opened from Tier 1 cities. This has been made possible as CDSL has expanded its network across India by registering DPs which have noticeable presence in Tier2 and Tier 3 cities.

SEBI has implemented the concept of Basic Service Demat Account (BSDA) with a view to achieve wider financial inclusion, encourage investment in demat accounts and reduce the annual maintenance cost for retail investors.

CDSL has introduced **easi** (electronic access to securities information) and **easiest** (electronic access to securities information & execution of secure transactions) for investors. easi is an internet based facility which allows investors to monitor their CDSL demat account and easiest allows investors to submit debit instructions through internet. CDSL's SMS alerts facility SMART (SMS Alerts Related to Transactions) enables investors to receive SMS alerts in case of any debits and credit related to corporate actions or any other change in demographic details in their accounts. CDSL also sends email alerts to investors for both debit and credit transactions.

4 Can demat be an incubator for creating savings in the economy for equity markets.

Indian investors have started investing in shares and mutual funds as means to mobilise their savings as compared to the traditional means of Investment. Demat provides a pivotal role in enabling the investors to hold their investments in diversified stocks and MF schemes in a single account. Their Depository Participant acts as a one point contact for servicing this demat account.

CDSL also provides a **Consolidated Account Statement (CAS)** to the investors which enables consolidated view of all the investments of an investor across demat accounts and mutual fund units.

Nehal is the Managing Director & Chief Executive Officer of Central Depository Services (India) Limited (CDSL) since September 24, 2019. He has more than 23 years of rich and varied experience in the areas of compliance and regulation involving the securities market.

He was the Chief Regulatory Officer of BSE Limited and was heading all the regulatory functions at BSE. He received the NetApp Innovation Award 2019 for Social Media Parsing (using Artificial Intelligence). In 2018, he was recognised as Compliance Champion at the 2018 Compliance 10/10 Awards. He also received the IMC Digital Technology Awards for Social Media Parsing. Further, in 2017, he was recognised for his work at the 2017 IDC Digital Transformation Awards under the Dx Leader Information Visionary category for innovation in digital and social media parsing and by the FOW Global Investors Group at the Asia Capital Markets Awards in 2017 for Best New Product in Market Surveillance.

Earlier as Director, Compliance at DSP Merrill Lynch Limited, he headed the compliance for broking, investment banking and fixed income business. In recognition of his commitment and dedication to the Compliance Function at DSP Merrill Lynch, he was awarded OGC Living the Mission Award in 2008.

Prior to that, he worked with SEBI for more than 10 years in varied areas of derivatives, venture capital and surveillance.

He holds a Commerce degree from Mumbai University and a Master of Management Studies degree in Finance from Narsee Monjee Institute of Management Studies, University of Mumbai.

In Conversation

PRASHANT VAGAL

Senior Vice President



"After reaching a milestone of Rs. 100 Lakh Crore as custody value of securities held in NSDL in June 2014, NSDL is currently holding securities with custody value of Rs. 189.81 Lakh Crore (as on February 29, 2020)."

NSDL
Technology, Trust & Reach

National Securities Depository Limited (NSDL)

After successfully completing more than two decades of operations, NSDL continues to make steady progress with the aim to redefine the future of Indian Capital Market digitally. Digital is a buzzword today, but it was NSDL which introduced digitization in Indian Capital Market; first by way of dematerialization of securities and then through a number of projects of national significance across both financial and non-financial sectors.

After reaching a milestone of Rs. 100 Lakh Crore as custody value of securities held in NSDL in June 2014, NSDL is currently holding securities with custody value of Rs. 189.81 Lakh Crore (as on February 29, 2020). Digital assets is again a buzzword globally today, but what better indication can there be of a future of capital market in India when total custody value of assets held with NSDL have double in just about less than 6 years as NSDL crossed milestone of Rs. 200 Lakh Crore in respect of custody value of securities held in NSDL in mid-February 2020. NSDL has a market share of over 90% in respect of total custody value of dematerialised securities.

1 Challenges for Depository in the Indian financial markets.

In 23 years of operations, NSDL has attained a number of milestones as an organization. However, we look forward to see the depository actually acting as single point for holding all the financial assets. Further, even now a significant part of financial assets held in form of securities, is still out of the depository system. We are working actively with the concerned stakeholders and regulators to bring even that under depository system. Also, the number of demat accounts as a percentage of overall population is on the lower side. Arguably, this is primarily on account of generally seen aversion to stock markets. We are doing our best to spread the message about capital market investment as a tool for wealth creation and preservation.

2 Concept of one demat account for all financial products:

Single Demat Account for all financial investments is the next thing which we are envisaging in the future. The concept was recommended by Financial Sector Legislative Reforms Commission (FSLRC) set up by Government of India and endorsed by the Hon'ble Finance Minister in his budget speech 2014-15. A single demat account will hold the title records of all financial investments of the investor and support transactions to operate the account. Single demat account is an immensely investor-friendly measure. The benefits to the investor of such an account are numerous and well-recognised. Some of the benefits are single view of all investments, no need for safe-keeping of paper, simplified process for notification of changes, simplified monitoring of investment, simplified transmission and succession process, substantial cost savings and shared infra-structure to issuer, etc.

Working on the above objective of single view of all investments, based on SEBI guidelines NSDL started sending Consolidated Account Statement to investors which presents an aggregated view of assets held in demat form across multiple demat accounts and mutual fund folios held across various AMCs, belonging to an investor. It is much more than mere aggregation of assets as it provides latest valuation of individual assets, portfolio summary, portfolio valuation and growth over a time period etc. Details of insurance policies held in digital form with NSDL National Insurance Repository (NIR) are also included in the CAS.

NSDL CAS is available in physical as well as email form. The e-form of NSDL CAS called NSDL e-CAS is password protected and digitally signed PDF file. NSDL continues to enhance investor experience, by introducing new features in CAS.

3 Depository Operations at GIFT IFSC

Depositories will play a key role in the operations of stock exchanges at GIFT IFSC in near future. Investing directly in foreign equities currently is a complex process involving issues of foreign exchange, tax laws and tracking a wide range of factors. For investors, these are big deterrents. Depositories will be helpful to make this

process easy while ensuring compliance with all applicable rules and regulations.

4 Simplified on-boarding process

SEBI had vide its Circular dated November 5, 2019 issued guidelines on 'e-KYC Authentication facility under section 11A of the Prevention of Money Laundering Act, 2002 by entities in the securities market for Resident Investors wherein SEBI registered intermediaries/ mutual fund distributors can avail Aadhaar Authentication Services through KYC User Agency (KUA).

Brokers and Depository Participants will be able to open broking and demat accounts within shorter duration whereby enabling the clients to start trading immediately.

5 Investor Education:

We at NSDL believe that every Indian should not be an Investor only, but a 'Prudent Investor'. Since inception in 1996, NSDL has been organizing awareness programmes for investors all over the country. Till now, NSDL has conducted more than 3900 such programs which have been attended by more than 3,80,000 investors. By these programs we attempt to connect with public at large, spread the message of financial literacy and helping them to understand the basics of investment process. These programs are conducted in association with SEBI, stock exchange, mutual funds, depository participants, industry associations and other market intermediaries. The schedule of these programs is published online on our website and also disseminated through our newsletters etc.

NSDL has also published guides, brochures and FAQs etc. to cater to various needs of the investing community. These are distributed freely to those attending our programs and are also available online on our website. 'Investor Guide' has been our popular publication which is available in 8 different languages.

'The Financial Kaleidoscope' is NSDL's monthly newsletter for investors. It is hugely popular among investors as it covers various aspects of investment process, financial planning and dos and don'ts for safe investment. It reaches to more than 1.22 Crore investors every month through emails, online downloads and in paper form.

Prashant Vagal is Senior Vice President and Heads the Business Development and Products department in NSDL. He has completed Bachelor of Engineering and MBA in finance and over 22 years of experience in Capital Markets. He has been associated with NSDL for 21 years now and handled various activities viz., Business development, Participant and CC Interface, New Product developments, Settlements, Training etc. He has been a speaker at various seminars held internationally.

NiSM राष्ट्रीय प्रतिभूति बाजार संस्थान
National Institute of Securities Markets
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Eligibility

- Bachelor's Degree of minimum 3 years' duration with at least 50% marks (45% for reserved category)
- Valid score from any of these competitive examinations – CAT, XAT, CMAT, ATMA, MAT, GMAT or MH–CET (*Management*).

Programme features

- Two–year
- Full–time residential programme
- 100% Placement Assistance

Admissions for 2020–22

Last date to apply: April 20, 2020
Programme commencement: June 15, 2020

Programme Venue

NISM Campus, Patalganga,
Near Panvel, Mumbai

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*For programme fee details, scholarship and more information, visit our website: www.nism.ac.in/pgdm

GLOBAL INSIGHTS



"India has a significant need for funding its manufacturing base, infrastructure and the services required to reach nearly 1.3 billion people. The demand for finance is so huge that it cannot depend solely on its own resources and capital markets. While large Indian IPOs and Follow-on offerings regularly raise $1-3 bn, there is still a need for overseas capital to bridge the funding gap."

TOM ATTENBOROUGH

Head of International Business Development, Primary Markets

London Stock Exchange

London Stock Exchange

ACHIEVING GROWTH THROUGH REGULATORY CHANGE: OPPORTUNITIES FOR INDIAN BROKERS

With a nominal GDP just shy of $3 trillion in 2019, India is now the world's fifth largest economy. In keeping with the size of its economy and its immense funding requirements, India has a modern and well-developed capital market, particularly in equities.

India has a significant need for funding its manufacturing base, infrastructure and the services required to reach nearly 1.3 billion people. The demand for finance is so huge that it cannot depend solely on its own resources and capital markets. While large Indian IPOs and Follow-on offerings regularly raise $1-3 bn, there is still a need for overseas capital to bridge the funding gap.

Overseas capital can reach Indian companies either through foreign investors investing through India's public and private capital markets, or by Indian companies tapping overseas capital markets themselves. While many Indian companies have raised (and will continue to raise) equity capital in domestic markets, about 200 Indian companies have tapped overseas equity capital markets since 1993.As part of this, global financial centres such as London and New York have always acted as complementary capital markets for India, rather than being substitutes for primary capital markets.

Depositary Receipts

The main instrument that Indian companies utilise to tap overseas equity capital markets has been the Depositary Receipt (DR, GDR or ADR). The leading venues for Indian DRs have been London and Luxembourg (GDRs), and New York (ADRs). By following this route, the underlying equity shares of a company are held by a custodian, with a Depositary Bank issuing DRs against these locked-in shares in an overseas market using a pre-determined ratio. The DRs are representative of the underlying equity shares, priced in US$ and are freely tradeable on the overseas exchange where they are listed.

First envisioned soon after the economic liberalisation of 1991, DRs were very popular between 1994 and 2007 and the bulk of issuances from India took place during this period. Virtually all the leading Indian companies of the 1990s and 2000s launched DR issues of varying size and stalwarts like Infosys, Wipro HDFC Bank & ICICI (in the US) and SBI, Axis Bank, Reliance, L&T, Tata Steel & Mahindra (in London) continue to maintain liquid programmes.

The introduction of the Qualified Institutional Placement (QIP) in 2006 to enable quick, efficient and comparatively cheaper follow-on fund raising on Indian exchanges subsequently led to a dip in the popularity of the DR. In order to bolster overseas capital inflow, a new DR Policy was introduced in 2014, including a host of liberal and far-sighted measures such as:

- Permitting unlisted companies to list overseas using DRs
- Permitting unsponsored and unlisted DR issuances
- Permitting bonds, convertible bonds and units to be used as underlying securities to DRs, along with equity shares

However, in 2015 there was a drive for the Indian authorities to identify the significant beneficial ownership of DRs held overseas. Due to the difficulty of establishing a workable mechanism for this requirement led to the almost total absence of issues from India from 2014 until 2019. In 2019 the Indian regulators identified eight overseas jurisdictions where the thresholds for identification and reporting of significant beneficial ownership of equity securities were acceptable and in October the New Framework for Depositary Receipts was announced.

The New Framework

The New Framework for DRs, unveiled in October 2019, has much in common with the Depositary Receipts Policy of 1993. The main features of the New Framework are:

- Only listed companies will be allowed to issue DRs overseas; simultaneous IPO and DR issuance is permitted
- Only equity and debt securities can be used as the underlying
- DRs will not be included in the public shareholding of the company but will be included to discern whether foreign investment is within the cap permitted for a particular industry sector
- The regulatory approval process has been made more stringent, approval from both SEBI and the domestic exchange on which the underlying shares are listed is necessary
- Voting Rights will rest with the DR holders who can exercise their votes through the Depositary Bank

- Most significantly; only the following overseas jurisdictions & stock exchanges will now be permitted for the listing of DRs:
  - » UK - London Stock Exchange
  - » USA - New York Stock Exchange & Nasdaq
  - » Germany - Frankfurt Stock Exchange
  - » France - Euronext Paris
  - » Canada - Toronto Stock Exchange
  - » Japan - Tokyo Stock Exchange
  - » South Korea - Korea Exchange
  - » IFSC-Gift City - India International Exchange & NSE International Exchange

For the Indian broking and advisory community, the New DR Framework presents a few but significant opportunities. The new framework has the potential to increase the issuance and trading of Indian paper on overseas markets as companies discover the newly reopened route to raise overseas finance.

For Indian Brokers with membership or connections to overseas trading platforms, particularly in UK and USA, this increase in Indian paper presents an opportunity for market making in securities that they are more familiar with. Many Indian brokerage houses will already have established a presence in IFSC-Gift City and the inclusion of this new and likely lower cost jurisdiction is certain to attract Indian issuers to pursuedual listings in one of the two exchanges here, providing business opportunities for brokers with operations in Gift City.

The Direct Overseas Share Listing (and Vice-versa) Policy

This much anticipated, albeit yet to be implemented, policy began life in 2018 in a report submitted by a SEBI constituted committee. The report envisions the direct equity share listings of Indian companies on certain pre-identified overseas stock exchanges and the listing of the equity share companies of overseas companies that have a strong business presence in this country on Indian stock exchanges. While there has been much speculation in the media recently about the imminent introduction of this policy, it is understood that amendments are required to be made first in the Foreign Exchange Management Act, the Indian Companies Act and perhaps also the SEBI Act. Nevertheless, all indications from sources within Government who have been quoted in the media are that this policy will be introduced during fiscal 2020-21. So, what benefits would the Direct Listings Policy hold for the Indian broking community?

The most obvious benefit is the vice-versa element of the Direct Listing Policy. Secondary listings in India by overseas companies have the potential tobe a gamechanger for the entire market as an entirely new segment of globally renowned companies begins trading on BSE or NSE.

It is too early to determine what the precise mechanism of cross-border trading will be. For instance, will the shares denominated in Rupees be deposited with a custodian? And will GBP or USD denominated securities having the same ISIN be listed on the overseas exchange and issued to investors? Or, will we see agreements between overseas and Indian Central Securities Depositaries that will allow the shares of Indian companies listed on overseas exchanges and the shares of overseas companies listed on Indian exchanges to be seamlessly traded and settled across national borders?

Whatever the mechanism that is finally implemented, it is certain that the Direct Listings Policy will be directly beneficial for Indian brokers. Additionally, the Direct Listings Policy is likely to throw up more opportunities for India based brokers than will be the New DR Framework. While we need to wait for the formal introduction of the policy to gauge exactly what these opportunities will be, it could be useful at this stage to look at some recent innovations at London Stock Exchange Group, which could be relevant to and have a bearing on future possibilities for Indian equity markets.

Shanghai - London Stock Connect

Shanghai-London Stock Connect is a primary as well as secondary market mechanism through which Shanghai Stock Exchange (SSE) listed Chinese companies can raise capital in UK. Companies are able to raise capital by issuing GDRs listed on London Stock Exchange to London investors, while London-listed companies can access China's vast investor base by issuing Chinese Depositary Receipts (CDRs) listed on SSE.In essence; for the first time London based investors have access to Chinese A Shares from outside Greater China while Chinese investors will be able to gain access to Premium listed companies in London.

London Stock Exchange's Global Equity Segment

London's unique location on the Prime Meridian puts it at the very centre of global markets. Sitting at the centre of global time zones, when trading opens in London, Asian markets are still active. Subsequently when US markets open, London is yet to close. Thus, London Stock Exchange's new Global Equity Segment (GES) allows investors to trade the world's top securities during a convenient time zone. Currently the top 50 US stocks and the top 30 Chinese ADRs are available on GES during London trading hours with this list is expected to be expanded to capture more securities.

GES also allows for seamless cross border settlement on T+2 using well established Crest Depositary Interest (CDI) Workflow. Conceivably, an investor can quite easily buy US shares in London and sell them in New York later in the day, with the trades being settled in the respective markets on T+2.

LSEG Technology's HFTpath

LSEG Technology is a provider of software solutions and services to market infrastructures and broker dealers. Its offerings underpin London Stock Exchange's and Borsa Italiana's markets, serving the trading community that operate on these platforms. LSEG Technology provides solutions to a wide range of customers from stock exchanges, to clearing houses and depositaries through to buy side and sell side firms. Within India, we count both NCDEX and ICEX as customers who utilise our Millennium Exchange and Millennium Surveillance offerings and we provide broker dealers with the tools required to connect to and trade on the main Indian Equity and Derivatives markets.

HFTpath provides an ultra-low latency trading gateway incorporating pre-trade risk checks without sacrificing speed or certainty of latency while providing a low total cost of operation. The product was officially launched in 2015 with connectivity to the National Stock Exchange of India (NSE) Equity Derivatives segment, and soon after was extended to the NSE Currency Derivative segment. HFTpath is available for the Bombay Stock Exchange Currency Derivatives segment as well.

HFTpath is a user-friendly, scalable, and resilient gateway that operationalizes the risk controls of a brokerage or proprietary trading firm. The system incorporates the regulatory pre-trade risk check requirements of SEBI, for example SPAN included, and clients can choose to further extend the risk controls with bespoke additions. This allows clients to take further risk protections without sacrificing competitiveness due to the speed in which our technology can undertake each check.

Conclusion

The introduction of the New DR Framework and the Direct Listings Policy will present new opportunities for all players in the capital markets ecosystem of India. These opportunities also extend to the countries that will be permitted jurisdictions for both the policies: stock exchanges, custodians & depositary banks, clearing houses, CSDs and the sell side and advisory community.

Both policies will serve to strengthen the connectivity between equity capital markets in India and those in the major financial centres in the Rest of the World, without changing the complementary nature of that relationship.

London Stock Exchange Group has a deep and abiding relationship with Indian companies and institutions covering not just the traditional capital raising role with equity & debt securities but also in areas such as market infrastructure, trading technology, training, indices and regulatory cooperation. Our products and innovations are pioneering in nature and we look forward to building on that platform for even larger and closer relationships with Indian market institutions.

Tom Attenborough, Head of International Business Development, Primary Markets.

He joined London Stock Exchange Group in September 2013 and is Head of International Business Development within Primary Markets. In this role, Tom advises UK and international companies and their owners on the process of going public and life as a listed company on London's markets. Prior to joining London Stock Exchange, Tom was at Citigroup for over 15 years as a Managing Director in the Equity Capital Markets division, originating, structuring and executing equity and equity-linked transactions across UK, Europe, Middle East and Africa. He has originated, structured and executed large number of IPOs and follow-on capital raisings over the years, including many involving a London listing. Prior to Citi, Tom worked in Kleinwort Benson's Equity Capital Markets team from 1994 to 1997.

He graduated from Oxford University with a BA (Hons) degree in Philosophy, Politics and Economics.

GLOBAL INSIGHTS



"ICSA's practical contribution extends into the heart of the efficient operation and sound regulation of domestic financial markets, as its 19 members regularly share information on market developments, regulation and industry best practices."

DAVID LYNCH

Chairman

ICSA International Council of Securities Associations

The International Council of Securities Associations (ICSA)

THE INTERNATIONAL COUNCIL OF SECURITIES ASSOCIATIONS (ICSA) CONTRIBUTION TO GLOBAL CAPITAL MARKETS

A firm that brokers a share trade on BSE in Mumbai, or manages the issuance of a corporate bond in New York or writes a derivative for a fund manager in London, almost certainly will be subject to domestic regulation that has a strong connection to the work of the global standard setting bodies.

These bodies include the International Organization of Securities Commissions (IOSCO), the Basel Committee on Banking Supervision (BCBS), Financial Action Task Force (FATF) and the Organisation for Economic Cooperation and Development (OECD), with the Financial Stability Board (FSB) serving as a coordinating body. As explained below, they collectively have a great influence on the rules of the global financial system, and in turn national financial system policy.

The securities industry in India, like its counterparts in Australia and elsewhere, are stakeholders in this process and need assurance that the global standards help to promote confidence in financial markets and assist the efficient conduct of business.

A benefit of standards developed by global bodies should be well-coordinated regulatory practices that support an efficient industry, especially for cross-border financial transactions. In practice, this has not always been achieved. For instance, national implementation of global financial crisis (GFC) related reforms generated both differently paced implementation timetables and problematical divergence in the ways they are being applied.

Moreover, there has been a notable uptick in the prevalence of harmful extraterritorial regulation. For example, decisions made in Brussels now can have a direct impact on how financial business gets done in distant regions, including Asia. Recognising the scale of the problem, it was a priority of Japan's G20 Presidency in 2019 to address the issue of financial market fragmentation, including through regulatory and supervisory cooperation.

Successfully operating a securities firm is difficult enough without having to navigate international regulatory differences, while industry associations are often stretched by implementing initiatives to further market development and respond to significant national regulatory reform programs. As outlined below, in the current environment, there is simply too much happening through the international standard setters for all but large-scale industry bodies to cope with on a consistently effective basis.

An appreciation of this backdrop is helpful to understanding the role of the International Council of Securities Associations (ICSA) and its value to present day markets. ICSA was established in 1988 by securities associations from Asia, North America, and Europe in response to the rapid globalisation of finance. It provides a forum to foster development of common positions on policy and regulation that will promote safer and more integrated capital markets.

BBF is a key member of ICSA, serving as host of the 2015 Annual AGM in Mumbai and currently chairs its Emerging Markets Committee. BBF will host the 2020 Asia Securities Forum in Jaipur in November, which will incorporate ICSA's mid-yearmeeting.

ICSA's Role in a Changing Industry Environment

The operational characteristics of securities markets have evolved markedly since ICSA's formation and the nature of this change heightens its importance to the industry.

For example, adoption of new technologies has been pervasive and is evident, for example, in the speed at which securities are now traded. The modernisation of market infrastructure is continuing, with the potential of distributed ledger technology being explored and applied, for instance, by the Australian Securities Exchange to cash equities settlement. Managing the implications of technology change to optimally support the further development of securities markets is a challenge for national industry associations,

but it is one that is shared across all jurisdictions.

G20 led reforms to OTC derivatives narrowed the distinction between OTC and exchange markets and increased the commonality of issues in this area for industry associations. In addition, the impact of reforms to financial benchmarks, driven primarily by problems encountered with LIBOR, has major flow-on effects for securities and derivatives markets.

Changes such as these have multijurisdictional effects and, taken together with increased instances of extraterritorial regulation and harmful market fragmentation, highlight the greater importance of effective advocacy and representation for the global financial markets industry.

Therefore, the environment within which financial markets policy is set has evolved in ways that increase the utility of ICSA's dialogue with the global standard setters. However, it is worth emphasising that ICSA's practical contribution extends into the heart of the efficient operation and sound regulation of domestic financial markets, as its 19 members regularly share information on market developments, regulation and industry best practices.

A Deeper Look at IOSCO and FSB

To further explore ICSA's value to the securities industry globally, it is useful to focus on IOSCO and FSB, as two of the international organisations ICSA meets with regularly to advance its mission.

IOSCO was established in 1983, bringing together the world's securities regulators. IOSCO develops, implements, and promotes adherence to globally recognised standards for securities regulation. It works intensively with the G20 and FSB on the global regulatory reform agenda.

In January 2020, IOSCO's Board published its Annual Work Program, which contains six specific priority area:

- Crypto-assets
- Artificial Intelligence and Machine Learning
- Market Fragmentation
- Passive Investing and Index Providers
- Retail Distribution and Digitalisation
- Rising levels of corporate debt and leveraged loans, and potential risks in capital markets

IOSCO's work program incorporates other important workstreams being carried out by its eight Policy Committees that cover, respectively:

1. Issuer Accounting, Auditing and Disclosure
2. Regulation of Secondary Markets
3. Regulation of Market Intermediaries;
4. Enforcement and the Exchange of Information
5. Investment Management
6. Credit Rating Agencies
7. Commodities Derivatives Markets
8. Retail Investors

Other important workstreams include those related to asset management, particularly in the areas of liquidity risk management and leverage analysis of the ETF marketplace.

Turning now to the FSB, it is the international body that monitors and makes recommendations about the global financial system. FSB was established in April 2009 in response to the Global Financial Crisis, and is headquartered at the Bank for International Settlements in Basel.

FSB brings together national authorities responsible for financial stability in 24 countries and jurisdictions, international financial institutions, sector-specific international groupings of regulators and supervisors, and committees of central bank experts. Amongst other things, FSB:

- Assesses vulnerabilities affecting the global financial system and identifies, and reviews regulatory and supervisory actions needed to address these vulnerabilities.
- Promotes coordination and information exchange among authorities.
- Monitors and advises on market developments and their implications for policy.
- Undertakes joint strategic reviews of the international standard-setting bodies and coordinates their respective policy development work.
- Promotes member jurisdictions' implementation of agreed commitments through monitoring of implementation, peer review, and disclosure.

On 17 December 2019, FSB published its work programme for 2020. FSB will continue its work to finalise and operationalise the remaining elements of post-crisis reforms; monitor and assess the implementation of reforms; and evaluate their effects in order to ensure that reforms work as intended.

Important specific FSB work programme items, which include key deliverables to the G20 Saudi Arabian Presidency, are:

- FinTech: Complementing the recent report on BigTech in finance, the FSB will report on the perspective of emerging market and developing economies on this topic. The FSB will also take stock of the range of practices on the use of RegTech and SupTech.
- Global stablecoins: FSB will issue a public consultation on stablecoins in April.
- Cross-border payment systems: In coordination with the Committee on Payments and Market Infrastructures and others, FSB will develop and deliver to the G20 a roadmap for how to enhance global cross-border payments.
- Interest rate benchmarks: Transition away from LIBOR by end-2021 requires significant and sustained effort from firms across many jurisdictions. FSB will take stock of the implementation of benchmark reforms and report on remaining challenges.
- Ongoing evaluation work: FSB will take forward its multi-year programme for evaluating the effects of reforms under its Evaluation Framework. In 2020, this includes the completion of an evaluation of the effects of "Too Big to Fail" reforms for banks and the launch of an evaluation of the effects of money market fund reforms.

Concluding Comments

ICSA appreciates the opportunity to regularly meet with IOSCO, FSB and other bodies, as this helps markets to remain fully informed and actively contribute to the development of global policy and standards. The work programs of FSB and IOSCO suggest that 2020 will be a busy year in this regard.

Of course, this will not be the limit of ICSA's work. For instance, the confluence of competition between trading venues and best execution regulation has created new complications in the cost effective provision of market data in many jurisdictions and ICSA has an active work program in this area. The consequences of an aging population for the securities industry is another area of current interest to members.

ICSA's mission to promote and encourage harmonisation, supported by actions to help ensure high standards of integrity and fair dealing in the international capital market, continues to provide a positive platform for the ongoing development of the securities industry in all jurisdictions.

David Lynch is Chief Executive of the Australian Financial Markets Association (AFMA), which is the industry body for participants in Australia's financial markets. AFMA's principal activities are policy advocacy and promotion of professional and efficient markets including through the provision of market standards and accreditation of individuals employed in the industry.



GLOBAL INSIGHTS



> From the issuer type perspective, GB issuance from corporates and SSAs has increased substantially year-on -year, with nearly 67% and 29%, respectively.

NICHOLAS PFAFF
Market Practice and Regulatory Policy

OZGUR ALTUN
Market Practice and Regulatory Policy

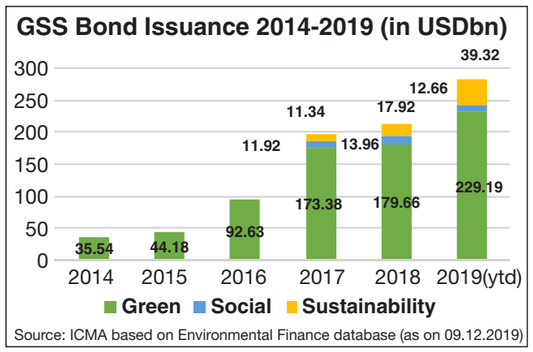
ICMA
International Capital Market Association

International Capital Market Association (ICMA)

GREEN, SOCIAL AND SUSTAINABILITY BOND MARKET DEVELOPMENTS

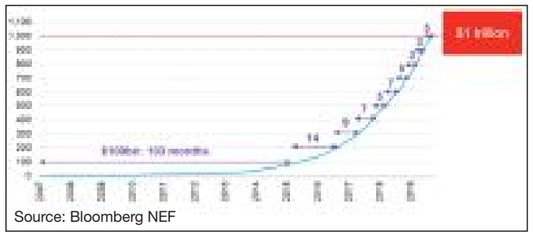
Issuance in 2019

Green, social and sustainability bond issuance has continued to surge globally in 2019 reaching a total of USD281 billion as of 9 December 2019 and representing a 33% increase over 2018's total figure. Green bond (GB) issuance alone amounted to USD230 billion, bringing the total outstanding to date to over USD730 billion. Sustainability bond issuance has more than doubled year-over-year while social bond issuance is on track with the figure for 2018.



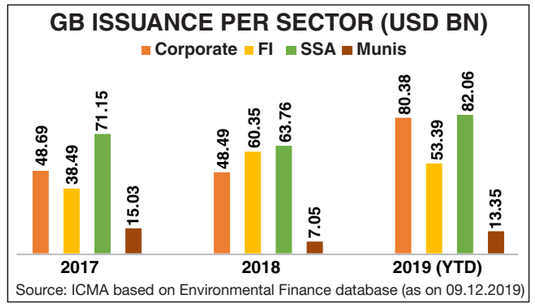
Source: ICMA based on Environmental Finance database (as on 09.12.2019)

On a more general basis, the cumulative sustainable debt issuance passed the USD1 trillion benchmark in October 2019 with sustainability-linked loans being an important contributor to this total. Also, while sustainable debt issuance took 103 months to hit the cumulative number of USD100 billion for the first time in 2015, the current issuance pace since 2018 now means that this figure is reached every five months in average (Source: Bloomberg NEF).



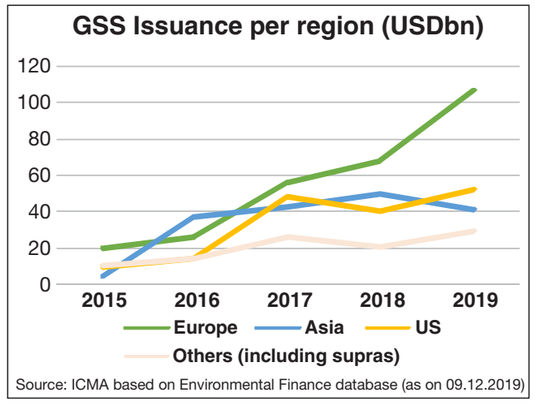
Source: Bloomberg NEF

From the issuer type perspective, GB issuance from corporates and SSAs has increased substantially year-on -year, with nearly 67% and 29%, respectively. Issuance from FIs is on track with 2018. 2019 has seen the first telecommunication sector company, Telefonica, joining the market with a EUR1 billion 5-yearGB as well as EUR250 million sustainability bond from Otto, the German textiles, apparel and houseware retailer, representing the first from its sector. Also, in 2019, the Netherlands issued a EUR5.98 billion 21 year GB, which represents the first from a triple-A rated sovereign GB.



Source: ICMA based on Environmental Finance database (as on 09.12.2019)

Regionally, GB issuances from Europe (USD106.63 billion) and the US (USD52.35 billion) have seen a considerable increase in volume, ie by 56% and 30% year-on year, respectively.



Source: ICMA based on Environmental Finance database (as on 09.12.2019)

Notable market transactions

In September 2019, an innovative structure that is not focused on use of proceeds but features a step-up feature linked to a sustainability target based on a Key Performance Indicator (KPI) was successfully introduced to the market by Enel. This USD1.5billion 5 year transaction was marketed as an SDG-linked bond with a one-time 25 basis points step-up coupon dependent on Enel achieving its target of renewable energy

installed capacity of >=55% total installed capacity. In January 2020, the GBP SBP Executive Committee launched a Working Group on sustainability / KPI-linked bonds to explore their potential and consider potential guidance for the market.

In November 2019, CA-CIB issued a EUR100 m 10 year "Transition Bond" subscribed to by AXA IM in the form of a private placement. The bond is listed on the Luxembourg Stock Exchange. The proceeds of the bond will be earmarked by CA-CIB to a selection of loans made to projects in carbon intensive sectors which contribute to the transition to a low carbon economy, such as LNG-powered ships, investments in energy efficient industries as well as gas power assets in countries where power generation currently relies on coal.

As background to this transaction, in June 2019, AXA IM called for a new thematic bond type distinct from green bonds, "transition bonds" to enable financing the transition of carbon-intensive sectors/companies towards a lowcarbon society, and published a first proposal of guiding principles. In October 2019, the GBP SBP Executive Committee decided to set up a Climate Transition Finance Working Group with the mandate of understanding why corporate issuers from carbon intensive industries have been largely absent from the green bond market thus far and considering providing guidance for potential future issuances.

Recent initiatives from Stock Exchanges

In October 2019, LSE launched its Sustainable Bond Market segment, bringing together its green bond segment (launched in 2015) together with new dedicated segments for social and sustainability bonds as well as the newly-created issuer-level segment for bonds by issuers whose core business is aligned with the green economy, subject to a minimum 90% "green revenues" requirement in line with FTSE Russell's Green Revenues taxonomy.

In November 2019, Euronext announced the creation of a new Euronext Green Bonds offering which brings together green bonds from six regulated markets in one dedicated on the Euronext website. In order to be eligible for inclusion in the list, green bonds must be listed on a Euronext market, be aligned with recognizable industry standards such as ICMA Green Bond Principles or the Climate Bond Initiative Taxonomy, and be accompanied by an appropriate external review performed by an independent third party.

In December 2019, Nasdaq announced the launch of the Nasdaq Sustainable Bond Network which aims to increase transparency and accessibility to environmental, social and sustainability bonds globally. It enhances Nasdaq's Sustainable Bonds Market, launched in 2015, with respect to the sustainable bonds' investment process, allowing investors to source detailed information on sustainable bonds for product due diligence, selection and monitoring based from a centralized and open platform.

EU Taxonomy Regulation

After the publication of its Action Plan on sustainable finance, the European Commission launched initiatives to develop an EU Taxonomy for sustainable activities. On the legislative front, this took the form of a proposal for a Regulation on the establishment of a framework to facilitate sustainable investment(the "Taxonomy Regulation"). This Regulation establishes the conditions and the framework to gradually create a unified classification system ("Taxonomy") on what can be considered an environmentally sustainable economic activity.

On 18 December 2019, the European Council and the European Parliament reached a political agreement on the Taxonomy Regulation. The Taxonomy Regulation will introduce a complex classification system of sustainable activities based on contributions to environmental objectives and technical criteria, as well as wider social and sustainability factors. It also recognises transition and enabling activities. The Taxonomy Regulation will start applying from December 2021 and is likely a landmark regulation that requires the attention of all capital market participants and stakeholders in Europe and internationally.

The Taxonomy Regulation provides for a general framework that will allow for the progressive development of an EU-wide classification system for environmentally sustainable economic activities. This framework has however gained in

complexity as it expanded to incorporate wide sustainability criteria and climate transition.

The Taxonomy Regulation sets out six environmental objectives: (i) Climate Change Mitigation, (ii) Climate Change Adaptation, (iii) Sustainable Use and Protection of Water and Marine Resources, (iv) Transition to a Circular Economy, (v) Pollution Prevention and Control and (vi) Protection and Restoration of Biodiversity and Ecosystems. It also includes four requirements that economic activities need to comply with in order to qualify which are that (i) they provide a substantial contribution to at least one of the six environmental objectives above, (ii) "No significant harm" is caused to any of the other environmental objectives, (iii) compliance with robust and science-based technical screening criteria, and (iv) compliance with minimum social and governance safeguards.

The Taxonomy recognises three further different types of environmentally sustainable economic activities:

1. Sustainable activities that in and of themselves contribute substantially to one of the six environmental objectives.
2. Transition activities for which there are no technologically and economically feasible lowcarbon alternatives, but that support the transition to a climate-neutral economy in a manner that is consistent with a pathway to limit the temperature increase to 1.5 degrees Celsius above pre-industrial levels, for example by phasing out greenhouse gas emissions.
3. Enabling activities that enable others to make a substantial contribution to one or more of the objectives, and where that activity does not lead to a lock-in of assets that undermine long-term environmental goals, and considering the economic lifetime of those assets has a substantial positive environmental impact on the basis of life-cycle considerations.

Nuclear energy is neither explicitly excluded nor included in the list of eligible environmentally sustainable economic activities. The importance of "climate-neutral energy" for the transition has been explicitly recognised in a recital. The decision to include or exclude nuclear energy has been left to the detailed rules based on technical expert input, subject to "do no significant harm criteria", in particular with regards to the disposal of waste, as well as specific references to life-cycle considerations. Gas is also neither included nor excluded from the EU taxonomy. It will be subject to a technical assessment for the development of the delegated legislation.

Finally, the Taxonomy Regulation creates a review clause which would allow the Commission to investigate extension of the Taxonomy to activities which cause significant harm to environmental objectives ("brown taxonomy").

Nicholas Pfaff is the Secretary of the Green Bond Principles (GBP) and the Social Bond Principles (SBP) and generally coordinates ICMA's sustainable finance activities. He is a member of the European Commission's Technical Expert Group (TEG) on Sustainable Finance. He also oversees the Public Sector Issuer Forum (PSIF) and heads ICMA's Paris office.

He is a senior banker with extensive international experience in investment banking and capital markets, as well as in development banking. He has worked previously at Goldman Sachs, BNP Paribas and the European Bank for Reconstruction and Development (EBRD).

Ozgur Altun is an associate working in the sustainable finance team of ICMA, in Paris office. Ozgur is a lawyer with an international background and worked previously at the Council of Europe Development Bank, reputed law firms in Istanbul and Brussels specialising in finance law and EU law, and the European Investment Bank. He holds an LL.M. degree from the London School of Economics in financial regulation and an undergraduate law degree from Galatasaray University in Istanbul.

GLOBAL INSIGHTS



"We at ASIFMA represent over 125 members (with an approximate USD 35 trillion in AUM) comprising a diverse range of leading financial institutions from both the buy and sell side. Our mission is to promote the development of liquid, deep and broad capital markets in Asia, of which India is an integral part."

LYNDON CHAO

Managing Director,
Head of Equities
& Post Trade

asifma
Growing Asia's Markets

Asia Securities Industry & Financial Markets Association (ASIFMA)

ASIFMA ADVOCATING FOR DEEPER AND MORE EFFICIENT EQUITY CAPITAL MARKETS IN INDIA

Asia represents 50% of the world's population, yet accounts for only 35% of the world's capital. As the fastest growing region in the world, Asia GDP rates are significantly higher than their developed market counterparts. Further, Asia offers positive yield versus over USD 10 trillion of negative yielding assets in developed markets. China has been a recent beneficiary of this growing shift of global capital towards Asia, with foreign ownership of the A share market having doubled from 1.7% to 3.5% over the past couple of years. This has come on the back of market reforms and MSCI lifting the A Share Inclusion Factor from 5% to 20%.

Growing deep and liquid capital markets in India is also at the top of the agenda for Indian regulators, policy makers and market participants. India has certainly been one of earliest beneficiaries of global investment inflows and a darling of Wall Street for many years within the emerging markets. In recent years, significant strides have been made to accelerate reform on the fixed income side as well, with actions taken to position India for inclusion in several prominent global bond indices. However, on the equities side, investors are concerned about some market reforms going in reverse which has and may continue to impact future global investment into India's capital markets. The focus by regulators on the tail risk of black money and roundtripping, leading to the shutdown of market access channels like ODI (Offshore Derivative Instruments), has been one key driver diverting global trading and investment away from India to other markets in the region.

We at ASIFMA represent over 125 members (with an approximate USD 35 trillion in AUM) comprising a diverse range of leading financial institutions from both the buy and sell side. Our mission is to promote the development of liquid, deep and broad capital markets in Asia, of which India is an integral part. As the voice of the industry, we advocate for reforms around key market structure issues and work closely with regulators and exchanges in the region. In India, we meet regularly with NITI Aayog, SEBI, RBI, MOF, NSE, BSE to formulate policy that builds strong capital markets to support economic growth. To that end, we have been recommending a number of enhancements India needs to make to its equity capital markets to attract more global institutional investors. Global investors are attracted to markets not only with strong economic fundamentals, but also where trading is frictionless and efficient, and where investment risks can be effectively managed. These are the areas encompassing many of the issues we have been partnering with our members on as we seek to effect positive change and to build optimal market structure in India: a fair and efficient block trading mechanism, FPI reform, stock borrowing and lending (SBL) and resurrecting ODI for market access. These are some of the issues we have been hearing about from members which have hindered greater participation in the equities space.

In comparison to India, China in recent years has successfully attracted huge volumes of foreign capital by facilitating an array of investment channels such as Stock Connect, Bond Connect, CIBM Direct Access, QFII/RQFII, etc. Many global investors channel their capital into China through these programs to gain exposure through intermediaries without having to go through the more cumbersome process of setting up onshore. As such China has been a major beneficiary of foreign capital. India on the other hand has been streamlining its market access channels, as demonstrated by growing restrictions placed on the ODI market which was eventually shut down in 2017. This was long a popular way for foreign investors to gain exposure to India where their local broker could provide market access through swaps and providing principle note (p-note) access without having to go through the onerous process of setting up as a Foreign Portfolio Investor (FPI) onshore and be subject to the operational complexities of tax, regulatory risk and other factors. This ODI route had been a great source of foreign capital into India.

Playing into the decision making of the Indian government is the fact that there has been heightened scrutiny on what has been described as roundtripping or black money. It is alleged that tax evaders use offshore vehicles to come back and invest in India's market. The focus by the government to eliminate this

behavior by a relatively small number of bad actors has unfortunately led to significant rule changes causing collateral damage to the vast majority of global institutional investors who want to participate. Shutting down ODI access is one such example where regulations aimed to address the actions of a small minority of the market has had unintended consequences for the overall marketplace. Whilst there have been recent attempts to revive the ODI channel, onerous requirements for 1-to-1 hedging and stringent segregation requirements have made this an unviable business for most brokers, except for a small number owing to tax treaty arrangements. ASIFMA stands ready to explore with Indian regulators how to reform the structure to help revive investment flows through the ODI channel as well as to help level the playing field. Offshore access channels are critical for India, certainly at least before GIFT City Connect comes online.

Another source of trading friction for global investors is the current block trading mechanism. This is key to efficient equities markets worldwide and access to such is critical for institutional investors, whose transaction sizes often dwarf those of retail investors. India's block trading mechanism is not available throughout the day but limited to two 15-minute segments, one in the morning and one in the afternoon. The bigger issue is the price band, currently limited to +/- 1% of the prior close reference price. Owing to this limitation, these blocks have historically not been executed within the prescribed block windows but have instead been executed on the main order book of the exchange, either as a single trade or split into many smaller sized trades on the open market. However, as block deals are negotiated and often agreed at significant discounts or premiums to the prevailing market price, executing such deals on the exchange can result in price volatility, detrimentally impacting retail investors, who often leverage limit orders and stop loss orders to manage their risks. Not only are retail investor interests currently not adequately protected, institutional investor interests are not safeguarded as well. Trading on the open market often exposes these pre-negotiated trades to third-party front-running by beneficiaries of information leakage which causes price slippage.

ASIFMA recommends that the block deal window's price band should be relaxed from +/- 1% to +/- 7% of the prior session's reference price. Regression analysis suggests that only this wider price band would capture 90% of historical block trading activity. The current framework also requires that block deal orders are reported to the exchanges and that client name and transaction details are reported on the exchange website and made available to the public, which is a unique practice in India. Even for other markets where block trade information is publicly disclosed, such disclosures are limited to the broker name level. Client names are not disclosed. This is another key reason why the current Block Deal Window is not used. Again, ASIFMA stands ready to partner with the local industry to remove these market frictions and to encourage more global investment into India.

Within ASIFMA, we have a very active Equities Steering Committee and India Forum specifically set up to look at these issues and to focus on other areas of capital markets development, including custody, operations/ KYC, and compliance, and we are expanding focus to Fixed Income as well. We are also very excited about hosting a conference in New Delhi later this year with topics around market development (Equities, Fixed Income, FX, etc.) and regulatory and asset management issues in India. We will be bringing together high-level regulators, policy makers, issuers and treasurers, sell side and FPI representatives from across Asia, Europe and the US to share ideas on how India can continue to develop robust and dynamic capital markets that play a role to ensure that India continues to transform and grow its economy. We hope to see you there!

Lyndon Chao is Managing Director of ASIFMA's Equities Division and leads ASIFMA's Equities Committee and Post Trade Committee to advocate ASIFMA initiatives involving secondary equity markets and post-trade issues in Asia. In addition to these two committees, Lyndon also leads a number of working groups such as the China Equities WG and the Listed Warrants WG.

Lyndon is a seasoned leader in financial services who before joining ASIFMA built a 26-year career with Morgan Stanley across several markets in the capacity of Managing Director spanning New York, Hong Kong, Beijing, Taipei and Shanghai, mostly serving as COO. Lyndon was also seconded by Morgan Stanley both to CICC for its initial launch as well as to CIC as a senior consultant. He then joined UBS to build a Shanghai Business Solutions Center as Managing Director/General Manager and, prior to ASIFMA, he acted as Senior Advisor to Seikowave, a 3D imaging tech startup focused on disruptive technologies for the energy sector. He also served on the Board of the Shanghai American School.

Born in Taiwan and raised in the US, Lyndon is fluent in English and Putonghua. He has an Executive MBA from the J.L. Kellogg Graduate School of Management, Northwestern University and Hong Kong University of Science And Technology (joint program with Kellogg) as well as a Bachelor of Science in Electrical Engineering degree from Northwestern University.

GLOBAL INSIGHTS



"During the past several decades, Japan has transformed from a young country boasting a soaring economy to the one characterized with a matured society. With the right steps, this country now needs to demonstrate how an intellectual and mature society can achieve sustainable growth that secures the total welfare of society. Building on the lessons from both the successes and the failures of the past, Japan will pursue the way to open a vista for the future."

KOICHI ISHIKURA

Director and Chief Officer for International Affairs & Research

JSDA

Japan Securities Dealers Association (JSDA)

JAPAN'S 1964 TO 2020 AND BEYOND

Tokyo will host the Olympic and Paralympic Games during July to September this year. It is the second time for Tokyo to host the global sporting event since 1964, fifty six years ago. Japanese people over sixty years of age may recall the year and era with warm nostalgia and fond memories, as the so-called "good old days". In Japan around that time, people's income level was much lower than now, and transportation and other social infrastructure were still underdeveloped. Nevertheless, the economy continued to record 10% annual growth on average, supported by the strong backbone of a younger population with a positive belief in a better tomorrow. This article reviews the path that Japan's economy followed during the last several decades, examines the challenges currently facing this country, and considers possible recipes to revive and activate its economy and society from the perspective of the securities market and industry.

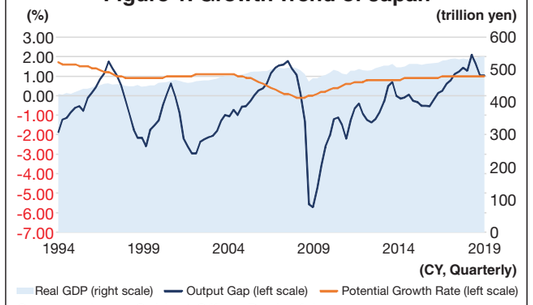
How We Got Here:

Japan's economy over the last half-century

(Growth trend)

Reflecting upon the economic trends over the last few decades, Japan had continued to achieve a high rate of growth until the 1980s. However, the growth rate declined in and after the 1990s and, as Figure 1 demonstrates, in recent years hovers around almost zero. According to the IMF's World Economic Outlook, the real GDP growth was 1.0% in 2019, and is estimated to be 0.7% in 2020 and 0.5% in 2021, which almost coincides with the potential growth rate. During the period of deflation that had persisted since the mid-1990s, the real GDP growth had been almost always falling below the potential growth rate, resulting in an output gap, or GDP gap. The GDP gap has now become almost zero or slightly positive with the current government's economic administration under the policy of "Abenomics." That said, economic growth is still very low and the Bank of Japan's 2% Price Stability Target (inflation target) has not yet been achieved.

Figure 1. Growth Trend of Japan



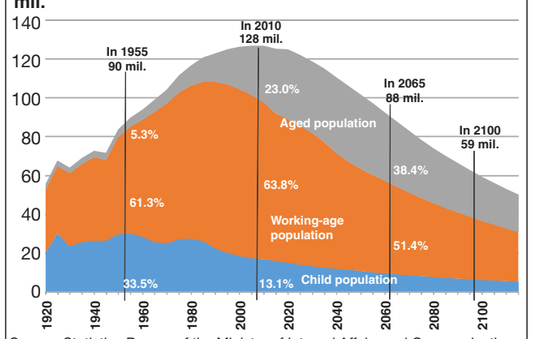
Sources: Japan Cabinet Office, Bank of Japan
Note: Real GDP is seasonally adjusted.

(Major changes in economic and social environment)

Needless to say, there have been a number of changes to the economic and social landscape behind the changing growth trend.

The first and perhaps most notable is demographic change, which is a phenomenon of utmost importance that arguably best characterizes the peculiarities of current Japanese society. In Japan, the population aged 65 and over has already exceeded 25% of the total population. According to the United Nations' estimate, in 2050, Japan will have 77 retirees per 100 working-age people, which is a much higher ratio in comparison to that of the whole of Asia, as well as the United States and Europe. While in Japan today, people's living standards have increased by a considerable degree, it can be said that the kind of high economic growth that was observed in the past cannot be expected under the rapidly aging population.

Figure 2. Demographic Changes in Japan



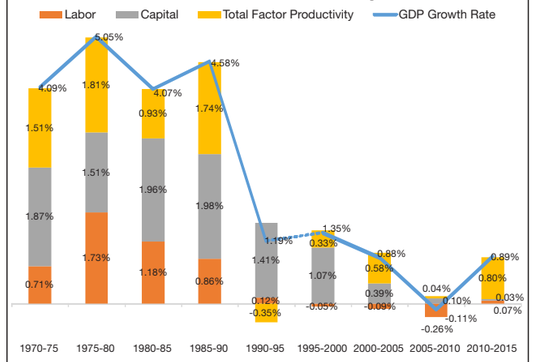
Source: Statistics Bureau of the Ministry of Internal Affairs and Communications

(Factors contributing to growth)

Economics textbooks across the globe teach students that there are three determinants of economic growth—that is, labor, capital and productivity, which means total factor productivity.

Until the 1980s, Japan's rapid economic growth had been underpinned and driven by all the three factors: the capital input increase, improvements in productivity (i.e. by technological innovation), and labor increase. However, in and after the 1990s, as the aging of the population has progressed, growth through increases in the labor force cannot be expected. Labor (or lack thereof) has now become a factor decreasing or constraining economic growth in Japan. To this degree, Japan faces the formidable challenge of not only making up for this gap, but also accelerating growth through the other two factors.

Figure 3. Factors Contributing to Economic Growth in Japan

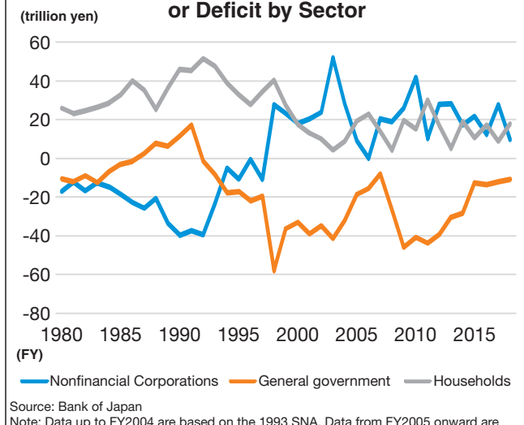


Source: Research Institute of Economy, Trade and Industry
Note:
1. Due to a revision in the data series, there is a discontinuity in the data series between 1990-1995 and 1995-2000.
2. The end points of the years in the scale overlap in order to account for changes in the global economic environment

(Financial surplus/deficit by sector)

Another noteworthy change over time in Japan is the changes in financial surplus and deficit by sector. In particular, the corporate sector had recorded a deficit in the 1990s but is now running a surplus amounting to 89 billion dollars in 2018. It is estimated that Japanese companies have accumulated internal reserves amounting to more than 2.4 trillion dollars. This is mainly because Japanese companies' appetite for capital investment continued to be dampened under the prolonged deflation. In stark contrast, the government sector had posted a surplus in 1990s but now has fallen into a deficit of some 101 billion dollars in 2018, mainly due to the significant increase in social welfare spending. Meanwhile, the household sector was consistently recording a surplus, although its annual surplus amount is on a gradually declining trend in large part because of the increase in the aged households whose propensity to save is low.

Figure 4. Annual Financial Surplus or Deficit by Sector



Source: Bank of Japan
Note: Data up to FY2004 are based on the 1993 SNA. Data from FY2005 onward are based on the 2008 SNA. There is a discontinuity in the data series between FY2004 and FY2005.

(Main financing sources and conduits that supported Japan's high growth)

On the other hand, some characteristics can be pointed out in the main sources and conduits that supported Japan's growth.

During the era of post-World War II reconstruction and high economic growth, infrastructure projects—for instance, construction of the Shinkansen, or bullet train, express highway and power generation projects—were financed with strong backing from the World Bank and government-affiliated financial institutions.

On another front, in Japan, the major part of financing to growth companies has long been provided through indirect financing whereby banks supply capital to corporations using the money deposited in savings accounts. This system underpinned Japan's high economic growth in the 1960s to 80s but over-concentrated risks in the banking sector. Its shortcoming became obvious in the form of nonperforming loans, which triggered the Japanese economy's post-bubble crisis of the 1990s. As a result, it became acutely evident that market-based financing should be expanded and enhanced.

Where We Go Next:
Strategies for the future

The picture that has been painted so far is not hopeful to say the least, and even a somewhat impartial comment on the economic trends over the last few decades narrates a very troubling story. Yet, as is often the case, where there are challenges, there is also the potential to meet those challenges in the form of innovative ideas and comprehensive reforms.

(Growth strategy)
For instance, to enhance and boost economic growth under these circumstances, measures to increase or maintain labor input have been pursued with great vigor, which include further promotion of employment of women and seniors, as well as acceptance of foreign human resources.

At the same time, it is now critical and essential to make efforts to increase the other two factors of economic growth—capital and productivity. Particularly it has now become a pressing task to mobilize financial assets held by individuals and corporates as risk money to growth areas and technical innovation. Furthermore, as the population ages further, the saving rate will decline and the households' financial assets are anticipated to gradually decrease. To address the situation, further efforts will be necessary to attract investments from overseas investors as well.

(Expected growth areas)
As mentioned previously, such rapid growth as in the 1960s to 80s cannot be expected any more in Japan. Having said this, a number of promising growth areas have been identified. For example, the government's "Reform 2020 Projects" advocate efforts to maximize the accumulated knowhow and strength to grow some up-and-coming areas, which include next generation urban transport systems with automated public transportation and self-driving car technologies, an energy system utilizing hydrogen, advanced robot technologies, as well as tourism attracting many more foreign tourists to Japan.

In what appears to be an increasingly difficult economic environment, there still remain seeds of growth.

(Virtuous cycle for economic growth)
The question remains, of course, of ***how*** to practically maximize on these potentialities. Here, the securities market and industry can play a crucial, if not invaluable, role. The securities market and industry are expected, as part of their essential mission, to provide those growth areas with risk money more efficiently and more effectively. There are some key policies and measures to pursue this objective.

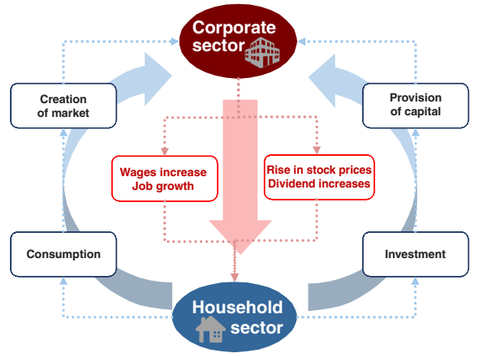
The first one is portfolio rebalancing in individuals' financial assets, which now amount to 17 trillion dollars. In reality, more than 50% of individuals' financial assets remain in the form of cash and bank deposits. Put another way, there is a large pool of resources that have not yet been 'tapped into', so to speak, and there seems to be room for further encouraging individuals' proper risk-taking and promoting their investments in growth opportunities. One policy tool expected to push this policy direction forward is NISA, the Japanese version of the Individual Savings Account. NISA is an income tax exemption scheme for small amount investment by individuals, which was introduced in January 2014. This scheme is expected to not only stimulate medium- and long-term asset formation by individuals amid the rapid demographic change but also become an important conduit of capital for growth funded by household financial assets.

Second, as mentioned earlier, the corporate sector in Japan now retains a considerable amount of financial surplus. Therefore, mobilizing internal reserves in the corporate sector for capital and human-resource investments is another pressing task to increase capital input for economic growth. The ongoing changes underway in corporate management in Japan—for example, more emphasis on Return on Equity (ROE)—perhaps exhibit a positive sign in this direction. In actuality, we see that these changes have already created tangible and concrete results—ROE has decidedly been improving over the last few years. Moreover, one can observe in Japan an increase in returns to shareholders, dividend yields, and share buybacks as well as the decrease in cross-shareholding, which has been pointed out as a long-running issue inviting financial resource inefficiency and jeopardizing corporate governance in Japanese companies. Furthermore, against the backdrop of a global paradigm shift away from shareholder capitalism and toward stakeholder capitalism, Japanese corporates have not only furthered efforts to maximize shareholder value, but also started to focus their energies on ensuring sustainability and the achievement of the Sustainable Development Goals (SDGs). All of these combined paint a brighter picture for sustainable economic growth supported by the corporate sector.

Still, in order to propel a positive feedback loop in the corporate sector, it is imperative to bear in mind that there must be some means by which growth potential is enhanced, via increases in productivity and/or value added. What may become key in this is whether Japan can enrich and activate the markets for M&A and venture capital investments, as well as investments in research and development toward new products and services.

In sum, the framework of the securities market is expected to play critical roles to create and sustain a virtuous cycle for economic growth driven by both the household and corporate sectors, as illustrated in the figure below.

Figure 5. Virtuous Cycle Driven by Household and Corporate Sectors



The 2020 Olympic and Paralympic Games in Tokyo aim to be operated under the concept of "sustainability" and the vision of "diversity and inclusion". Under this thematic umbrella, events will be operated exerting every possible effort to protect the environment, and to accept and respect every person no matter their age, ethnicity, nationality, gender, sexual orientation, religious beliefs or intellectual or physical impairment. This approach suggests a future course that Japan should take to cope with the rapid aging of the population—an approach of comprehensive inclusion that is not limited to the populace narrowly defined. In other words, this country now needs to demonstrate how an intellectual and mature society can achieve sustainable growth that secures the total welfare of society.

It may also be worth remembering that Japanese people of several generations ago made herculean efforts for postwar reconstruction and vast social infrastructure development, overcoming a plethora of constraints and difficulties, and achieved the role of the first Asian host of the global sporting event in 1964.One may say that we face similar, trying circumstances today. While the conditions are vastly different from the past in absolute terms, we can keep the following words by Albert Einstein as a mental note: *"In the middle of difficulty, lies opportunity."*

(The views expressed here are solely those of the writer and do not necessarily reflect the views of the JSDA or its members. Any views and forecasts described are based on information available when the article was written in February 2020, and may not reflect subsequent developments.)

Koichi Ishikura, Director & Chief Officer for International Affairs and Research, Japan Securities Dealers Association.

He has been involved with international affairs since he joined the Japan Securities Dealers Association (JSDA) in September 2005. He was appointed Director & Chief Officer for International Affairs and Research in July 2015.

Prior to joining the JSDA, he worked for the Ministry of Finance, mainly in its International Bureau. During 1990 to 1992, he served as Assistant to the Executive Director for Japan on the Board of the International Monetary Fund (IMF). From 1998 to 2002, he worked at the Japanese Representative Office (Tokyo Office) of the Asian Development Bank as Deputy Resident Director.

GLOBAL INSIGHTS



"Europe needs to broaden its funding options to increase the share, which is delivered by capital markets, allowing borrowers to access the full range of funding opportunities appropriate to their needs and the maturity of their businesses. In this respect, more investment from retail investors could help to put savings to more productive use in the capital markets.Deep pools of capital help to channel investment into the real economy, supporting company growth and job creation."

RICK WATSON

Managing Director,
Head of Capital Markets

afme/ Finance for Europe

Association for Financial Markets in Europe (AFME)

EUROPE'S UNFINISHED BUSINESS - WHAT IS LEFT TO DO ON CMU?

As the EU embarks on another 5-year political cycle, there is an increasing sense of urgency around the need to deliver the Capital Markets Union (or CMU) project.

Some countries have called for the project to be rebranded. For example, the finance ministries of Germany, France and the Netherlands (known as the Next CMU High-Level Group) have called for the project to be renamed the "Savings and Sustainable Investment Union" to make the project more accessible for citizens and companies. But it will take more than a new name to get this epic project over the line. The new European Commission will need to prioritise and focus on the "big ticket" CMU initiatives. And there is a need to focus on fewer, but more impactful, priorities and to set clear timelines.

As the recently appointed European Commission prepares to relaunch the CMU project, there are a number of key areas to focus on.

First, Europe needs to make its markets more efficient. A fundamental challenge is to ensure that all the elements of the securities market structure are interoperable, can communicate with each other, and can function in a cost-efficient manner, so that EU savers and investors can achieve the benefits of a single market. Here a review of the sweeping EU markets regulation, MiFID 2/R is required, as well as addressing the long-standing barriers to an integrated post trade system.

Second, for the CMU to be successful, Europe needs to expand the size, capacity and liquidity of its capital markets. Owing to market uncertainty, there is a scarcity of companies in the EU deciding to take the plunge and undertake an Initial Public Offering. To encourage companies, particularly SMEs, to go public, the EU needs to strengthen its public markets and ensure there are no unnecessary regulatory burdens or costs that might act as a deterrent.

Third, the EU needs to catch up with other nations on facilitating FinTech innovation. FinTech provides opportunities to lower costs and provide more efficient services, while offering greater access to finance to a wider range of consumers. However, EU27 FinTech companies have benefited from a mere $7.2bn in investment since 2009, compared to a huge $120bn in the US, $23.8bn in China and $20.3bn in the UK. Going forward, the CMU needs to focus on this important sector in order to make the single market fit for the digital age. For this to happen, regulation and supervision need to be tailored to the fast-evolving digital challenges to ensure that innovation is not quashed. Artificial Intelligence (AI) and bigdata also present opportunities for disruption and revolutionising financial services, which should be explored in full, while closely monitoring the potential risks.

Fourth, Europe must continue to strengthen its global lead in sustainable finance. As a percentage of global issuance, the EU28 remains ahead of the US and China by a significant margin due to the rate of growth of sustainable bonds issuance. For example, the EU issued 43% of global sustainable bonds in 2018 compared to 18% by China and just 16% by the US. Now the challenge for the EU is to further build on its leadership by providing clarity on assets that can be considered sustainable. Having clear labels and standards for sustainable products would allow investors to make informed choices which is key for the transition towards a climate-neutral economy.

Finally, Europe needs more capital markets and less lending. According to AFME's annual report which tracks the EU's progress against the CMU's objectives, European companies received 88% of their new funding in 2018 from bank loans and only 12% of funding came from markets-based finance (such as bonds and equity). In fact, Europe's reliance on bank lending has increased since 2013-2017. Therefore, Europe needs to broaden its funding options to increase the share, which is delivered by capital markets, allowing borrowers to access the full range of funding opportunities appropriate to their needs and the maturity of their businesses. In this respect, more investment from retail investors could help to put savings to more productive use in the capital markets. Deep pools of capital help to channel investment into the real economy, supporting company growth and job creation.

Another way to unlock Europe's growth potential is through the creation of a powerful financing union consisting of integrated banking and capital markets. The Banking Union and Capital Markets Union projects are intrinsically linked and mutually reinforcing. A fully functional and integrated Banking Union can help achieve a more integrated capital market in the EU - supporting economic growth and helping to diversify risk.

This five-year political cycle needs to be bolder and more decisive on CMU. Simply rebranding the project won't take the project to the next level. There are a vast range of issues to be tackled which will require strong political leadership and a renewed focus on the top priority issues.

Rick Watson is Managing Director and Head of Capital Markets, Membership and Events at AFME. He is on AFME's Senior Management Team and leads staff in fixed income, equities, MiFID, Capital Markets Union and sustainable finance initiatives, as well as overseeing membership relations, over 30 annual events and the CRM team. Previously, Mr. Watson held a variety of senior fixed income and other product origination positions at FGIC, HSBC, Bear Stearns, UBS, Morgan Stanley and Freddie Mac. He has co-authored a book on securitisation, served on the EIOPA Stakeholder Group, and is a trustee of the East End Community Foundation.

GLOBAL INSIGHTS



"Assosim's survey confirmed the financial industry' fears over the negative impact the reform was going to have on the financial research market, and which was evident much in advance of the new MIFID II rules coming into force."

GIANLUIGI GUGLIOTTA

Secretary General

ASSOCIAZIONE INTERMEDIARI
MERCATI FINANZIARI - ASSOSIM

Italian Association of Financial Markets Intermediaries (ASSOSIM)

THE FINANCIAL RESEARCH IN ITALY UNDER THE MIFID II

1. Methodology

1.1 This analysis only considers equity issuers uninterruptedly listed on the MTA market or the AIM Italia MTF (hereinafter MTA and AIM, respectively) from 1st January 2017 to 31stDecember 2018. The aim of all of this is to ensure that the breadth and depth of the research coverage would not be impacted by new listing or delisting carried out during the observation period. Accordingly, issuers admitted to listing during 2017 or 2018 have been excluded, as have those that were delisted during the same period.

The total number of **issuers** considered is thus **302.**

1.2 The issuers have been classified (Tab. 1) based on their stock market capitalisation levels as follows[1] :

- **Blue Chips** - market cap > €1bn, excluding companies listed on the STAR segment[2] (hereinafter STAR) or AIM,
- **STAR**, and
- **Small Caps** - market cap < €1bn, excluding companies listed on STAR and AIM.

Tab. 1 shows that out of a total of 302 issuers, over 77% qualified for the STAR and Small Caps categories.

	Market Cap (€k)		N.	Weight
	max	min		
Blue Chips	51.440.780	1.055.410	69	22,85%
STAR	3.253.099	6.460	70	23,18%
Small Caps	968.640	880	163	53,97%
TOTAL			302	100%

Tab. 1

1.3 The study has only involved financial research based on fundamental analysis. Fundamental analysis is defined as research, normally no less than two page long, produced by a financial analyst (i.e. an individual who may provide support to institutional investors during their investment decision phase), based on forward-looking data and that provides an indication of a target price and an investment recommendation (buy, hold or sell), albeit only implicit.

The survey thus excludes analyses, even if they are based on fundamentals, that are the result of algorithms (computer-based analysis) or based exclusively on quantitative aspects. It also excludes analyses produced by players for which there is no certainty the research produced by them complies with the above criteria.

In short, in view of the above considerations, from an initial sample of 16,820 documents, 3,619[3] reports, publications and/or various kinds of disclosures (such as technical analyses and morning notes)[4] have been excluded. Accordingly, the study examined **13,201** research notes, of which 6,759 for 2017 and 6,442 for 2018.

1.4 The survey has covered **50 contributors** (i.e. producers of research as defined above).

To ensure anonymity, the contributors were broken down into four categories:

(i) **Italian brokers;**
(ii) **Italian non-brokers;**
(iii) **foreign brokers;** and
(iv) **foreign non-brokers.**

The **brokers** category consists of players, including investment banks, that produce financial research and that are authorised to execute orders on behalf of their clients.

The **non-brokers** category consists of players that produce financial research but are not authorised to execute orders on behalf of their clients.

The **brokers** category also includes players that are not authorised to execute orders on behalf of their clients when they belong to groups of companies that include at least one broker.

To avoid duplications, contributors that have co-operation agreements in place to distribute research have been treated as a single entity, and the quantitative data for their research has been consolidated.

Fig. 1 provides a breakdown of research contributors in these four categories and shows the clear dominance of foreigner players and, within them, of the broker category.

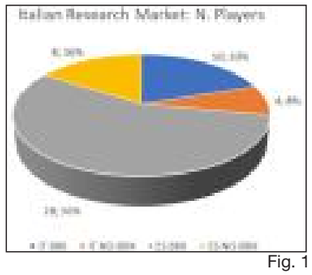


Fig. 1

2. Breadth of research offering

2.1 One year since MiFID II came into force, we are seeing a decrease, albeit slight, in the level of coverage of the Italian market.

As Tab. 2 shows, the number of companies covered fell from 221 in 2017 to 218 in 2018, which accounts for a **1.4% drop of covered stocks.**

STOCKS COVERED					
Segments	N. stocks	2017		2018	
		Covered	Not covered	Covered	Not covered
Blue Chips	69	69	0	69	0
STAR	70	70	0	70	0
Small Caps	163	82	81	79	84
-of which AIM	68	42	26	39	29
TOTAL	302	221	81	218	84

Tab. 2

2.2 When analysing the behaviour of Italian and foreign contributors in more detail (Tab. 3), we note that the increase in coverage by foreign players (from 121 issuers in 2017 to 139 in 2018) did not affect the **level of coverage of the overall market,** which **remained nearly unchanged.** As a matter of fact, despite the reduction in the coverage by Italian contributors (from 215 issuers in 2017 to 209 in 2018), foreign contributors increased their production almost exclusively on issuers in the STAR segment, all of which were already covered by Italian players as well.

Segments	Var. %	Weight %		N. Researches	
		2018	2017	2018	2017
Blue Chips	-7,66%	78,08%	80,59%	5.030	5.447
STAR	17,51%	12,92%	10,47%	832	708
Small Caps	-3,97%	9,00%	8,94%	580	604
-of which AIM	20,00%	2,40%	1,93%	156	130
TOTAL	-4,69%	100%	100%	6.442	6.759

Tab. 4

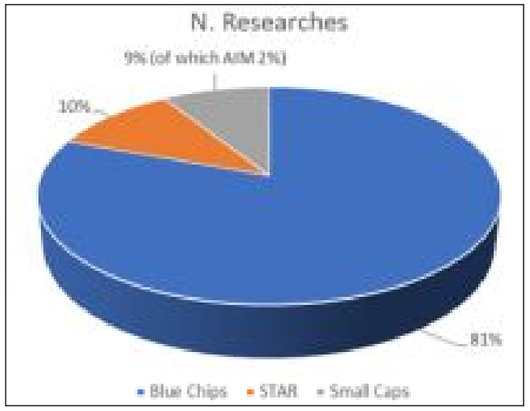


Fig. 2

STOCKS COVERED									
Segments	N. stocks	ITALIAN PLAYERS				FOREIGN PLAYERS			
		2017		2018		2017		2018	
		Covered	Not covered	Covered	Not covered	Covered	Not covered	Covered	Not covered
Blue Chips	69	69	0	68	1	65	4	64	5
STAR	70	70	0	70	0	30	40	45	25
Small Caps	163	76	87	71	92	26	137	30	133
-of which AIM	68	33	35	35	33	10	58	13	55
TOTAL	302	215	87	209	93	121	181	139	163

Tab. 3

2.3 As regards the Italian contributors, the coverage of shares with higher market capitalisations remained virtually unchanged; the coverage of Small Caps on the other hand decreased.

2.4 **In general, one will notice a correlation between the level of the issuers' market capitalisation and the interest in producing research on them. Indeed, in 2018, out of 163 Small Caps just 71 were covered by Italian contributors and 30 by foreign ones. It follows that there was still a high and increasing number of Small Caps with no coverage(84 stocks in 2018 vs. 81 in 2017).**

3. Depth of research offering

3.1 The correlation between market capitalisation and contributor interest in producing research becomes even clearer if we consider the number of research reports produced per segment and their percentage weight on the total amount of research produced, as shown in Tab. 4 and Fig. 2.

3.2 It is clear that there was a **drop in the total production of financial research:** the total number of research reports produced fell from 6,759 in 2017 to 6,442 in 2018, which accounts for **a reduction of 4.7%,** which involved both Blue Chips and Small Caps(i.e. 90% of the whole market).

In general, considering the number of contributors, the number of research reports produced in 2017 per issuer was low and fell further during 2018.

Total coverage of the whole STAR segment is obviously due to the obligation by Borsa Italiana regulations for issuers in this market segment to enter into a contract with a corporate broker which engages to publish at least 2 research per year on their financial instruments. Moreover, the increase in the amount of research produced on the STAR segment in 2017 and 2018 was due, among others, to the entry of foreign brokers into this market segment, as a result of the increase of the stocks' liquidity due to the coming into force of fiscal incentives applying to long-term investments in financial instruments other than those included in a market index (hereinafter the PIR schemes).

3.3 When analysing the research production of Italian and foreign contributors for the different market segments, a decline in production for the Blue Chips segment stands out (Tab. 5).

The number of financial research reports produced fell from 5,447 in 2017 to 5,030 in 2018, a reduction of 7.66%. A sharp decrease in production by the brokers category is particularly noticeable, with the foreign brokers showing a reduction of 6.52% and the Italian ones a reduction of 11.45%.

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N. Researches BLUE CHIPS					
Category	2017	2018	Weight %		Var. %
			2017	2018	
ITA BRK	1.555	1.377	28,55%	27,38%	-11,45%
ITA NO-BRK	0	0	0,00%	0,00%	
ES BRK	3.668	3.429	67,34%	68,17%	-6,52%
ES NO-BRK	224	224	4,11%	4,45%	0,00%
TOTAL	5.447	5.030	100%	100%	-7,66%

Tab. 5

3.4 In the **Small Caps segment** (Tab. 6) there was a reduction of 3.97% in the production of research (from 604 reports produced in 2017 to 580 in 2018), entirely in the broker category (Italian and foreign), which accounts for 90% of the research produced in this segment. Conversely, the offering by Italian and foreign on-brokers, though irrelevant in absolute terms, did not change.

N. Researches SMALL CAPS					
Category	2017	2018	Weight %		Var. %
			2017	2018	
ITA BRK	336	307	55,63%	52,93%	-8,63%
ITA NO-BRK	30	35	4,97%	6,03%	16,67%
ES BRK	224	215	37,09%	37,07%	-4,02%
ES NO-BRK	14	23	2,32%	3,97%	64,29%
TOTAL	604	580	100%	100%	-3,97%

Tab. 6

3.5 As regards the Small Caps, it is interesting to analyse a breakdown of the **AIM** (Tab. 7). Although there was an increase in the number of research notes produced, the striking figure is the limited incidence of the offering in this segment compared to the market as a whole (1.9% in 2017 and 2.4% in 2018).

N. Researches AIM					
Category	2017	2018	Weight %		Var. %
			2017	2018	
ITA BRK	83	98	63,85%	62,82%	18,07%
ITA NO-BRK	22	24	16,92%	15,38%	9,09%
ES BRK	15	20	11,54%	12,82%	33,33%
ES NO-BRK	10	14	7,69%	8,97%	40,00%
TOTAL	130	156	100%	100%	20,00%

Tab. 7

3.6 The situation for the **STAR** is different.
Tab. 8 shows how, for issuers traded on the STAR, the general research output increased by over 17%. This increase was due exclusively to the foreign brokers. It is also evident that this figure represents a relatively small percentage (12.9%) of the total financial research offering (832 research notes for the STAR, out of a total of 6,442 research notes in 2018).

N. Researches STAR					
Category	2017	2018	Weight %		Var. %
			2017	2018	
ITA BRK	505	505	71,33%	60,70%	0%
ITA NO-BRK	14	14	1,98%	1,68%	0%
ES BRK	159	283	22,46%	34,01%	77,99%
ES NO-BRK	30	30	4,24%	3,61%	0,0%
TOTAL	708	832	100%	100%	17,51%

Tab. 8

3.7 The following tables (Tab.9 and Tab.10) consider **only the issuers covered** in the various market categories and the number of contributors that produced research on them. Specifically, in 2018 only 39 of the 50 contributors that operated in the Italian market actually produced research on Blue Chips, out of 69 covered issuers **(average of 1.87 researches per issuer);** 25 of the 50 contributors produced **STAR** research, out of 70 covered issuers **(average of 0.48 researches per issuer);** and 31 of the 50 produced research on **Small Caps,** out of 79 covered issuers **(average of 0.24 researches per issuer). This last figure unequivocally shows the little number of researches produced on Small Caps, also as far as covered issuers are concerned.**

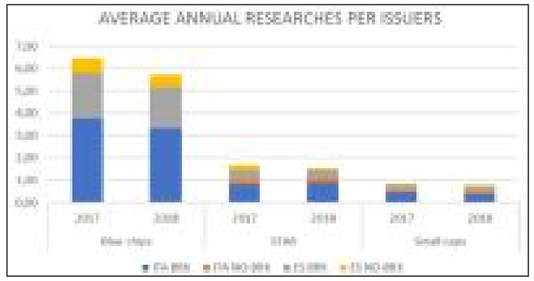
PLAYERS PER SEGMENT						
Category	Blue chips		STAR		Small caps	
	2017	2018	2017	2018	2017	2018
ITA BRK	6	6	9	8	9	10
ITA NO-BRK	0	0	1	1	4	4
ES BRK	26	27	5	12	12	12
ES NO-BRK	5	6	2	4	3	5
TOTAL	37	39	17	25	28	31

Tab. 9

AVERAGE ANNUAL RESEARCHES PER ISSUERS						
Category	Blue chips		STAR		Small caps	
	2017	2018	2017	2018	2017	2018
ITA BRK	3,76	3,33	0,80	0,90	0,46	0,35
ITA NO-BRK	0,00	0,00	0,20	0,20	0,09	0,11
ES BRK	2,04	1,84	0,45	0,94	0,25	0,25
ES NO-BRK	0,83	0,54	0,21	0,11	0,00	0,00
TOTAL	2,13	1,87	0,59	0,48	0,26	0,24

Tab. 10

The strong correlation between the level of coverage and the market capitalisation of the listed companies is also clear in Fig.3.



Fag. 3

3.8 For the reasons given above, the **Italian contributors** who addressed the higher percentage of their offer to issuers traded on Borsa Italiana markets **produced a far higher average number of researches than did the foreign contributors.** It is reasonable to assume though that foreign contributors active on Italian stocks tend to diversify their offer and cover, at the same time, the main (or all) European financial markets (or the financial markets of the most developed countries worldwide) or, at least, the markets with the highest capitalisation.

3.9 **The number of analysts covering Italian stocks (Tab.11) also declined sharply from 2017 to 2018 (-8.8%).** This trend, if read in relation to the stability of the number of stocks covered, shows **the efforts made by all players to increase the average coverage per analyst of listed issuers.** This trend, which is already highly pronounced today, has a natural limit in the quality of analysts' average coverage or in the potential reduction of their future coverage.

N. Equity Analysts			
Category	2017	2018	Var. %
ITA BRK	87	82	-5,7%
ITA NO-BRK	4	4	0,0%
EST BRK	357	322	-9,8%
EST NO-BRK	32	30	-6,3%
TOTAL	480	438	-8,8%

Tab. 11

The efforts made by all the research players active on the Italian market to increase the average coverage of each analyst over the last few years appears even more relevant if considered in connection with the **huge decrease (-24%) in the volumes traded on the equity markets since 2015 (Fig. 4) and the decrease (more than proportional) in the average commission per trade** and, therefore, with the decrease in commission revenues derived from execution of clients' orders generated by brokers that produce financial research.

Some doubts could be raised on the medium-term economic sustainability of the research and execution business, which undermine the big efforts carried out by Italian brokers to keep the quality and the independence of their research unchanged and, therefore, of their respective market shares.



Fag. 4

Furthermore, besides the fall in the number of analysts, it is important notto underestimate the growing trend, especially among foreign brokers, in substituting senior analysts with younger and less experienced ones, which impacts negatively on the quality of their research.

4. Composition of research offering

4.1 As can be seen in Tab. 12, some 80% of the entire research offering (in 2017 and 2018) was on Blue Chips and just over 2% on SMEs traded on the AIM segment.

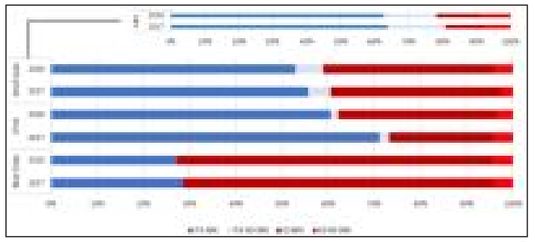
In particular, only 9% of the total research was produced on Small Caps, which represent 54% of the examined issuers.

Segments	Offer		Var. %
	2017	2018	
Blue Chips	80,59%	78,08%	-3,11%
STAR	10,47%	12,92%	23,30%
Small Caps	8,94%	9,00%	0,75%
-of which AIM	1,92%	2,42%	25,90%
TOTAL	100,00%	100,00%	

Fag. 12

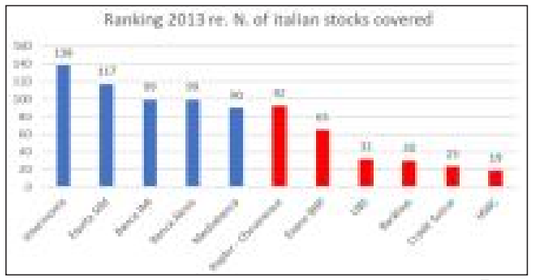
4.2 A comparison between 2017 and 2018 data shows that the offer of research on listed Italian issuers hardly changed in the two years considered, with the exception of the STAR which, as already underlined, recorded an increase in coverage by foreign players.

4.3 If we then analyse the trend in the composition of the research offer for each category of contributors (Fig. 5) - highlighting the AIM within the Small Caps category - we notice that **the foreign players' interest in listed Italian stocks decreases as the stocks' level of capitalisation decreases,** meaning that the coverage of the less capitalised issuers tended to be provided primarily by Italian players.



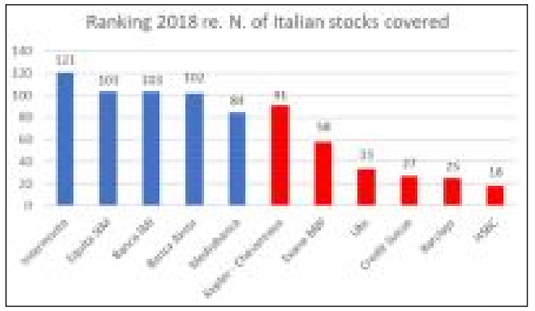
Fag. 5

4.4 The comparison between the above data and the results of an earlier analysis conducted by an important Italian broker on 2013 data shows there has been a **reduction in the average coverage provided by Italian and foreign brokers in recent years** (Fig. 6). The analysis also shows that **almost all the foreign brokers continued to cover a limited number of Italian stocks,** and only in some cases more than 40. Consequently, it is possible to assume that the interest of those players was limited only to issuers included in the 40 stocks included in the main equity index of the MTA (FTSE MIB).



Fag. 6

When we update the analysis to 2018(Fig. 7), the picture for the leading Italian players hardly changes vs. 2013.



Fag. 7

5. Market volumes and trading commissions

5.1 The above correlation between market capitalisation and the contributors' decisions on the breadth and depth of their research offer is, in turn, correlated with (and according to a widely held opinion, justified by) market volumes, which are themselves in turn correlated with market capitalisation in a circular cause-and-effect relationship (Fig. 8).

As a matter of fact, market volumes and hence the liquidity of the financial instruments constitute a decisive factor in the investment decisions of investors, in particular of the larger institutional investors.

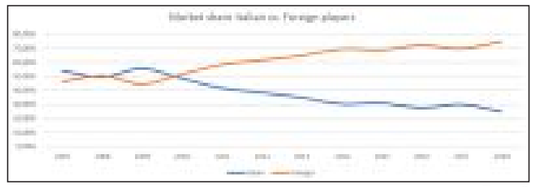
The offer of financial research, which is indeed essential for investment decisions, tends therefore, still today, to be concentrated on stocks with higher market capitalisation.



Fag. 8

5.2 Another argument, actually considered by the European Commission as one of the reasons for making the changes introduced by MiFID II, is that the offer of financial research is correlated with the possibility, for brokers that produce or sell it, to subsidise the costs incurred to produce/buy it through execution fees (which, in turn, are obviously related to market volumes).

Based on these considerations, the increasing interest by foreign contributors in extending their research offering on Italian stocks may also be motivated by the market share of traded volumes in their hands, which grew strongly and reached75% of the total at year-end 2018 (Fig. 9).



Fag. 9

5.3 The two charts below (Fig. 10 and 11) compare the breakdown of total commission fees generated on the Borsa Italiana equity markets in 2018 and the results of a similar survey carried out by an important Italian broker based on 2013 figures.

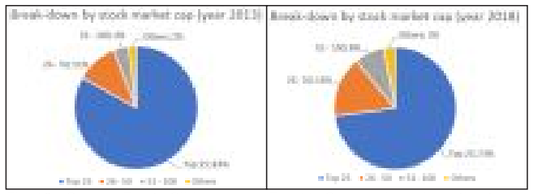
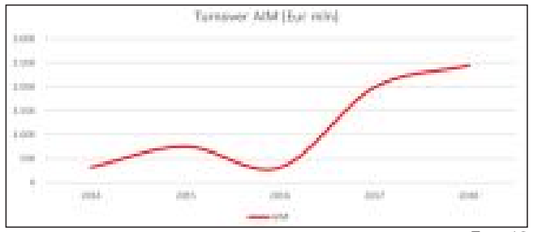


Fig. 10- Source: Equita SIM stimates using Factset data

Fig. 11- Source: Assosim estimates

Compared to 2013, in 2018 there was a higher percentage weight of commissions from trading in stocks with lower market capitalisation (which rise from 17% to 27%), which can be explained considering the tax benefits under the above-mentioned PIR schemes introduced in January 2017. As a matter of fact, the PIR schemes has brought about, on a one side, a rise in the number of companies admitted to trading on AIM, which went up from 77 at the end of 2016 to 113 at the end of 2018 (+46.75%) and, on the other side, the increase in the traded volumes which can be seen in Fig. 12. In turn, the increase in the trading volumes should explain the already highlighted rise of the breadth (but not the depth) of the foreign brokers' research offer (+3 issuers).



Fag. 12

Despite their considerable growth, at the end of 2018 the volumes traded on AIM would account for only 0.39% of the entire volumes traded on the Borsa Italiana equity markets.

Together with the above-considered (Fig.9) decrease of their market share of trading volumes (and related trading commissions), the Italian brokers are obviously confronted with a lower economic viability of the financial research on non-Blue chips equities, on which foreign contributors are less active (Fig. 5).

5.4 As stated in the methodology analysis, we have not included in this survey[5] those players for which there is no certainty that their research was based on fundamental research. Should we include such players within the scope of the study, by aggregating the data of the research produced by them, to form a secondary category (Others), the results would not change; rather, the conclusion we reached would be even stronger. As Tab. 13 shows, the decrease in research (6.06%), and the decrease in the number of analysts engaged in the production of research on Italian stocks (11.51%) become more pronounced.

7. Conclusions

7.1 **Assosim's survey confirmed the financial industry' fears over the negative impact the reform was going to have on the financial research market, and which was evident much in advance of the new MIFID II rules coming into force.**

In particular, the following developments have been noted:

a. **Reduced coverage of the market -** The overall coverage of the Italian market has decreased, albeit only slightly, and, in particular, of issuers with smaller market capitalisation (Small Caps). This reduction has primarily affected the Italian brokers, which have recorded a significant and drastic reduction in revenues and a decrease in demand for research (mainly by foreign investors) on stocks with smaller market capitalisations.
b. **Fewer research notes produced -** There has been a 4.69% decrease in the amount of research produced. In this case, too, the reduction was due in particular to the number of research notes on Blue Chips produced by Italian brokers (down 11.45%) and foreign brokers (down 6.52%).
c. **Decrease in the number of analysts -** The number of analysts covering Italian stocks with fundamental research fell from 480 in 2017 to 438 in 2018, an8.8%decline.

Category	N.	N. Equity Analysts				N. Researches			
		2017	2018	Var. %	Weight %	2017	2018	Var. %	Weight %
ITA BRK	10	87	82	-5,75%	16,67%	2.396	2.189	-8,64%	32,78%
ITA NO BRK	4	4	4	0,00%	0,81%	44	49	11,36%	0,73%
EST BRK	28	357	322	-9,80%	65,45%	4.051	3.927	-3,06%	58,81%
EST NO BRK	8	32	30	-6,25%	6,10%	268	277	3,36%	4,15%
OTHERS	65	76	54	-28,95%	10,98%	349	235	-32,66%	3,52%
TOTAL	115	556	492	-11,51%	100,00%	7.108	6.677	-6,06%	100,00%

Tab. 13

6.2 It should also be noticed that the above phenomena were particularly evident for research produced on Small Caps stocks.

Since MiFID II has come into force, the correlation among the number of research notes produced and the issuer's market capitalisation - which was already observable under the previous regime - has become more pronounced. The same is true as regards Small Caps, with an average coverage of 0.24 researches per issuer (down from 0.26 in 2017).

Indeed, the lower trading volumes (and hence the lack of liquidity)that depicts the stocks of the issuers with smaller market capitalisations are disincentives to invest for institutional investors (including portfolio managers).These disincentives increase more as the size of the managed portfolios gets smaller.

Given the smaller, and in some cases entirely non-existent, portfolio investments in such instruments, it follows that virtually only investors specialised in these specific market niches are interested in paying for research on those stocks. As a consequence, the cost of this research weighs almost totally on investors that are specialised in these specific market segments.

6.3 **It is clear that the reduction in the research on Small Caps will, over time, inevitably widen the already observed "information gap" on issuers that are less capitalised, or whose stocks have lower trading volumes, even when such issuers deliver very positive earnings and financial performances.**

6.4 **Another particularly serious issue is the increasingly visible reduction in the total number of analysts in Italy, which, in the long run, will lead to the loss of professional skills that are essential for the financial market to develop.**

6.5 While it is true that the reduced offer of research on Small Caps is tied to the lower demand by institutional investors, it is also true that **if more research on Small Caps were available on these stocks their liquidity would increase** as it would the interest in them among institutional investors. It is well known that there is a correlation between the number of research notes published on an issuer and the market liquidity of its stocks. Increased liquidity would in turn translate into a lower cost of capital for issuers, making it easier for them to make investments and grow in size, which would trigger a virtuous circle that arouses institutional investors' interest.

A greater research offer would be instrumental in giving more companies access to capital markets (new IPOs), in line with the European Commission's policy under the Capital Markets Union and, at a national level, the above-mentioned PIR schemes.

6.6 **The offer of financial research on Small Caps is weakand, when it does exist, is almost always supplied by Italian providers.**

6.7 **Given the foregoing, the loss of market share and revenues by Italian research providers to the advantage of foreign brokers casts doubts on the future sustainability of this business.**

The significant decrease in the value of traded volumes and the average commissions will inevitably lead to the following consequences:

a. a decrease in the number of stockscovered;
b. a decrease in the number of professionals and/or loss of skilled analysts (replaced by younger and in experienced ones); and
c. a decrease in the liquidity of the issuers and a consequent increase in their cost of capital.

This scenario of huge difficulty for the Italian equity research industry risks being further exacerbated by the legislative impasse caused by the new regime on the PIR schemes implemented with the 2019 Budget Law. This new regime has de facto frozen fund raising on these schemes, which was fundamental in giving SMEs access to capital and debt markets just when the entire banking system was facing great difficulty.

1. As stated in the statistics published by Borsa Italiana S.p.A. as at year-end 2018.
2. STAR is the market segment of Borsa Italiana's equity market (MTA) dedicated to midsize companies with a capitalization of less than 1bn euros (at the time of their admission to listing), which voluntarily adhere to and comply with the following strict requirements:
   - High transparency and high disclosure requirements;
   - High liquidity (free float of minimum 35%); and
   - Corporate Governance in line with international standards (i.e. a set of rules that determine the company's management).
3. 1,436 for 2017 and 2,183 for 2018
4. It was impossible to rule out that some of the documentation published by foreign brokers and non-brokers were actually morning notes or European sector notes which would include companies listed on Borsa Italiana. Still, one must consider that the analysis methodology used (homogeneous sample of data for the two reference years) guarantees that the conclusions reached are correct.
5. Although the Other category accounts for as much as 57% of the total contributors considered (i.e. 65 players out of a total of 115), their contribution to the total research output is completely marginal (3.52% of the total, compared with 32.78% for the Italian brokers and 58.81% for the foreign brokers).

Gianluigi Gugliotta is Secretary General of the Italian Association of Financial Markets Intermediaries - ASSOSIM as from July 2006. Having practised as a Lawyer in Rome, he worked for the Italian Ministry of Finance on the reform of the financial services legislation from 1988 to 1989 and the Italian Securities Commission (CONSOB) from 1989 to 2004. From 1995 to 1998 he was seconded by CONSOB to the European Commission in Brussels as a national expert in securities legislation. Before moving to ASSOSIM, he was Director of European Policy and responsible for the Brussels liaison Office of the International Swaps and Derivatives Association (ISDA) from January 2005 to June 2006.

GLOBAL INSIGHTS



“The development of EU-27 deeper, autonomous and more integrated capital markets will thus be critical to ensure the Union can overcome the challenges it faces. Because of the extent and criticality of these challenges, it would be unrealistic to believe that the financing of solutions can rely solely on bank loans, and unwise to try and delegate it to third country financial markets.”

ARNAUD EARD

Director European and International Affairs

Amafi | ASSOCIATION FRANÇAISE DES MARCHÉS FINANCIERS

Association Française Des Marchés Financier (AMAFI)

THE FUTURE OF EU FINANCIAL MARKETS

FIVE REFORMS FROM THE FRENCH FINANCIAL MARKET ASSOCIATION TO IMPROVE EU MARKETS EFFICIENCY

Following the global financial crisis, the European Union (EU)reinforced its regulatory framework resulting notably in heavier banking prudential requirements in order to weaken the sovereign-bank nexus. As a direct consequence, European banks have seen their capacity to finance the EU economy substantially reduced thus requiring financial markets to play a bigger role. The necessity to move from a bank-based to a more market-based financial system is best illustrated by the Capital Markets Union (CMU) project launched in 2014 which was one of the flagship initiatives of the previous European Commission. Initially driven by British Commissioner Lord Jonathan Hill, CMU's main objective was to create a European integrated financial system with the UK at its centre.

More than five years after CMU was launched, it is far from being completed, with only some legislations implemented to-date, and a limited impact at a time where the EU is facing important financing challenges with (i) the mitigation of climate change, (ii) the adaptation to the digital revolution and (iii) the ageing of its population.

Besides, with the advent of Brexit and the departure of the UK, the EU's main financial centre, it is crucial to deepen and intensify the reflections around the future of the CMU initiative.

The development of EU-27 deeper, autonomous and more integrated capital markets will thus be critical to ensure the Union can overcome the challenges it faces. Because of the extent and criticality of these challenges, it would be unrealistic to believe that the financing of solutions can rely solely on bank loans, and unwise to try and delegate it to third country financial markets.

The EU-27 three main financing challenges

The mitigation of climate change is the first major challenge the EU is facing with the European Commission evaluating an annual gap of 180 billion euros to achieve its EU climate and energy target by 2030[1].

Another critical challenge for the EU-27 is the financing of the fourth industrial revolution where Europe lags behind the US and China. Out of the 372 unicorns in the world in July 2019, 182 were American, 94 Chinese and only 45 Europeans out of which 21 were British[2].

The adaptation of social structures to the ageing of the population also represents an important challenge for Member States in the Eurozone with the European Central Bank estimating that associated costs will raise from 26% of the GDP in 2016 to 28,2% in 2040[3].

The EU's ability to overcome these challenges will play a critical role in defining its position on the international stage. Looking back at the massive withdrawal of liquidity from US banks in 2011 dedicated to the financing of the European economy, the EU-27 cannot extensively rely on third countries financial resources.

Brexit is a game changer

With the City representing almost a quarter of the gross value added produced by EU financial services and exporting 33 billion euros of financial services towards the EU-27[4], it is crucial to rethink the financial markets the EU needs in order to finance its economy. And in particular in light of the transposition of Basel 4 which massively reduces the financing capacity of European banks[5].

The financing of the European economy is indeed a major concern as illustrated by the recent work from several Member States in the Next CMU High-Level Group chaired by Fabrice Demarigny[6] and ongoing work undertaken by the European Commision High-Level Forum on Capital Markets Union[7]. Trade associations are also keen to contribute to the debate in light of the recent initiative from Markets4Europe[8].

In that context, AMAFI wishes to bring its contribution to current reflections and decided to partner with the think tank CEPS (Center for European Policy Studies) whose breadth of the data base and analytical expertise will play a central role in putting into perspective reforms that will feature in the report. While the report will only be made public in the coming months, one can already highlight the axes around which the reforms will be articulated as they will revolve around reforms implemented in the US at the end of the 70s.

The US example: transitioning from bank to market-based model

The shift from the bank-based model to the current market-based model began during the 1980s and unfolded over the next decades. An in-depth analysis shows that it was based on five main pillars:

(i) **a unified legal, regulatory, fiscal and, in some areas, infrastructure framework;**

(ii) **reforms that enabled the consolidation of banks** (allowing interstate banking, and removing barriers to cross state border mergers) **and the**

emergence of champions in the corporate and investment banking area (liberalization of the list of activities banks could engage in);

(iii) **a strong public involvement in targeted domains** where private initiative would not be sufficient to ensure success (the Government Sponsored Enterprises in the securitization market, the Small Business Administration to guarantee the access of SMEs to bank loans);

(iv) **the depth of the securitization market** (55% of the United States GDP at the end of 2018, with a strong concentration on mortgage-based securities, that represent 80% of issuances), enabling banks to free massive capacity from their balance sheets;

(v) **the consistence of the pension funds ecosystem,** a significant contributor to the development of US financial markets, and a provider of long-term financing for companies and projects.

AMAFI is conscious that these reforms could not be transposed as such in the EU-27 notably because it is not a federal state. Still, we consider they are worth taking into account to help frame future EU reforms as there are strong similarities between the EU-27 financial system and the US one forty years ago.

Which reforms for EU-27 financial markets?

While several initiatives have been undertaken under the Juncker Commission (e.g. Simple, Transparent and Standardized Securitization, Pan European Pension Product), it appears necessary to ensure the development and integration of EU financial markets to undertake structural and ambitious reforms, associated to a long term vision, which go beyond the five-year mandate of the European Commission.

One of the central objectives of these reforms should be to make EU actors more competitive so they are in a capacity to efficiently contribute to the financing of the EU economy. Amongst the various propositions of reforms that will feature in the report, five appears fundamental.

(i) **Creating a European safe asset:** Such Safe Asset would act as a stabilization factor, notably by helping to reduce the sovereign-financial nexus, it would provide a deeply liquid source of high quality collateral to favor cross-border transactions and it would offer a risk reference and help to achieve a more efficient allocation of risk amongst the financial system. On top of playing the role of a back-boneto European integrated financial markets, a Euro-denominated safe asset would also serve the objective of fostering the international role of the Euro.

(ii) **Maintaining access to international liquidity pools** - The growing role of financial markets in the financing of the EU economy implies to find the equilibrium between autonomy and the opening to international flow of capital. In particular, the access of investment banks located in the Union to the global inter-dealer market will be critical to ensure their capacity to offer the same quality of services to their clients.

(iii) **Considering a targeted public support in specific areas** - It would imply the necessity of a public risk sharing. Public involvement should be planned on the long-run and geared towards effectiveness from the viewpoint of the financing of the economy, rather than dictated by crisis situations.

(iv) **Enabling the securitization market to take-off** - The EU securitisation legislation is far from producing the expected results. The future regime should require less prudential requirements, consider the creation of similar Government Sponsored Enterprises like in the US and limit divergences in Member States bankruptcy laws.

(v) **Establishing an ecosystem of pension funds:** Such pension funds would complement pay-as-you-go systems and contribute to ensuring their performance despite the ageing of European societies, while channeling capital to long term and risky projects that require patient investors. Even though it is highly dependent on Member States fiscal strategy, the creation of pension products with an advantageous tax treatment should be considered.

While these reforms are ambitious, we believe they are critical to enable the Union to overcome the massive financing challenges it faces.

1. DG FISMA, Action Plan: Financing Sustainable Growth, March 2018.
2. Philippe Tibi, report « Financer la quatrième révolution industrielle, lever le verrou du financement des entreprises technologiques », July 2019.
3. ECB, The 2018 Ageing Report: population ageing poses tough fiscal challenges.
4. CEPS/ECMI data.
5. BCBS Basel 3 monitoring report, March 2019
6. The Next CMU High-Level Group, Savings and Sustainable Investment Union, October 2019.
7. DG FISMA, High-Level Forum on Capital Markets Union, October 2019.
8. Markets4Europe Roadmap, October 2019.

Arnaud Eard joined the Association française des marchés financier, AMAFI, (formerly Association française des sociétés de Bourse then Association française des entreprises d'investissement) in 2018 as Director for European and International Affairs. Before joining AMAFI he worked for six year at Public Affairs Consultancy Fleishman Hillard in Brussels. He holds a Master of Arts in International Political Economy from the University of Sheffield, United-Kingdom.

GLOBAL INSIGHTS



"The Government's inquiry represents an opportunity for a holistic review of Australia's retail corporate bond market"

ROB COLQUHOUN

Director of Policy

AFMA

Australian Financial Markets Association (AFMA)

OPPORTUNITIES TO DEVELOP CORPORATE BOND MARKETS

Introduction

The desire to develop a vibrant domestic corporate bond market is an objective that is shared by authorities in India and Australia. Research published by the Reserve Bank of India last year stated that "[d]evelopment of corporate bond market in India remains crucial for meeting the financing requirement of industry and infrastructure sector."[1]

In Australia, the Federal Government recently launched a public inquiry into the development of the local corporate bond market, recognising that its potential is not being realised. Thus, there may be a good opportunity to increase its value as a funding source for business and as an investment diversification tool by investors in Australia's large superannuation system. Indeed, there is concern that the lack of a vibrant corporate bond market has reduced Australia's capacity to be a world leader in financial markets.

While the prevailing circumstances of the Indian and Australian bond markets are naturally different, the development issues that Australia is grappling, and the lessons learnt to date, may provide insights relevant to achieving the potential of the Indian market.

In launching the inquiry, it was noted that a principal focus would be on identifying any reasons why Australian companies would look to issue bonds in markets other than Australia. The Terms of Reference for the inquiry provide further insight into the specific matters that the inquiry will consider, including:

- the tax treatment of corporate bonds for both issuers and investors to determine whether there are any impediments in the tax system to the issue of corporate bonds;
- related impediments in the Corporations Act to the further development of the corporate bond market; and
- comparable policy settings in other jurisdictions, with a focus on those jurisdictions that are major sources of debt finance for companies operating in Australia.

2014 Financial System Inquiry and Subsequent Legislation

The Committee's inquiry is not the first to consider the development of Australia's corporate bond market and any impediments that mean companies prefer to issue bonds in alternate jurisdictions. In 2013, the Government commissioned a wholesale review of Australia's financial system. The Financial System Inquiry ran for an entire year and the Final Report, released in December 2014, contained 44 recommendations to improve the functioning of the financial system, particularly in respect of funding Australia's growth, domestic competition/international competitiveness and the cost, quality and availability of financial services and products.

Importantly, the Financial System Inquiry observed that the disclosure requirements for a retail corporate bond issue are more costly than for a wholesale issue and concluded that less onerous disclosure requirements would make retail issuance simpler and more cost effective. On this basis, the Financial System Inquiry recommended that large corporates (defined as the largest 150 companies by market capitalisation listed on the Australian Securities Exchange) have reduced disclosure requirements for "simple" bonds.
In terms of the increased costs of a retail corporate bond issue versus a wholesale issue, the following differences in costs were noted:

Cost/Charge	Retail	Wholesale Offer
Spread over benchmark	250-300bps	200-250bps
Syndicate fees	175bps	30bps
Documentation costs	$1.1-$1.3 million	$300,000 - $420,000
Rating of bond offer	$140,000 - $160,000	Not applicable
Roadshow and marketing costs	$200,000 - $250,000	Minimal
Listing and registry costs	$140,000 - $160,000	Not applicable

The Government accepted the recommendation and, in 2014, legislated to implement a streamlined disclosure regime, changes to civil liability provisions and clarification of requirements in disclosure documents with respect to retail corporate bonds. In particular, the legislation allowed for an issuer to prepare a base prospectus with general information that would apply for three years and then a lighter disclosure in respect of the particular bonds being offered. The legislation also sought to enhance liquidity in trading in retail corporate bonds by allowing depositary interests over such bonds to be traded.

Attempting to balance the risk associated with a reduced disclosure regime with the objective of enhancing the attractiveness of issuing corporate bonds to retail investors, the Government defined a "simple" corporate bond to be one that:

- is quoted on a financial market, and the issuer must have continuously quoted securities over the preceding 12-month period;
- is denominated in Australian currency;
- has a term of less than 15 years;
- has either a fixed or floating rate which cannot reduce over the life of the security;
- has periodic coupon payments; and
- may only be redeemed in specified circumstances, such as at the request of the holder.

Current State of the Market

Notwithstanding the positive reforms by the Government to reduce the barriers for simple retail bonds, there remains scope for additional issuances to occur. As at the end of 2018, four issuers had issued five simple corporate bonds into the Australian market, although ironically all of the issuances were considerably over-subscribed. The relatively small number of issuances justifies the current Government inquiry.

The Current Inquiry

Given that the commercial response to the simple bond regime by issuers has been less than may have otherwise been expected, it appears as though the current inquiry will need to consider other issues, the resolution of which may allow the Australian corporate bond market to reach its full potential. Some of the areas that may be considered in scope for the Committee's deliberations are set out below.

Taxation

Australia taxes investors differently based on the types of locally issued instruments that an investor holds. In particular, a return on instruments characterised as equity for tax purposes is distinguished from the return on instruments that are debt for tax purposes in two important ways:

- to the extent that the issuer has paid sufficient corporate tax, an investor holding an equity investment will receive a credit (referred to as a "franking credit") for the corporate tax paid by the issuer, and will only need to pay tax at the difference between the investor's marginal rate and that of the issuer; and
- upon disposal of the equity investment, if the investor has held the investment for more than 12 months and sells at a profit, this profit may be taxed concessionally with a 50% discount under Australia's capital gains tax rules.

Neither the franking credit nor the capital gains tax discount are available in respect to investors holding debt interests and hence bond holders are taxed at the marginal rate both on coupons received and any gain on sale.

As a consequence, it may be that issuers are more incentivised, on a risk-adjusted basis, to hold interests that are equity for tax purposes.

The attractiveness of instruments that are able to attach franking credits is highlighted by the strength of the market for Additional Tier-1 regulatory capital instruments issued by Australian financial institutions, which offer a fixed income return plus franking credits.

It may be the case that retail investors seeking fixed income exposures are more attracted to these types of instruments on an after-tax basis.

Education Opportunities

A further issue that has been previously highlighted is the lack of awareness for retail investors of the investment opportunity afforded by corporate bonds. Australian retail investors have traditionally seen their investment options as cash, shares and property and accordingly corporate bonds and other fixed income assets have not been a big proportion of portfolios. It may be that there is a gap in the knowledge of investors to assess either the creditworthiness of the issuer or the commercial drivers of the particular corporate bond to be issued.

Government Guarantee for Bank Deposits

As part of the Australian Government's response to the Global Financial Crisis, all retail deposits into Australian banks were guaranteed by the Government, up to a limit of $250,000. As a result, retail investors looking for fixed income returns may prefer, on a risk-adjusted basis, to utilise bank deposits as opposed to corporate bonds given the zero credit risk associated with such investments. The yields on corporate bonds will need to be sufficiently high to attract investors away from bank deposits, given the investor in such bonds will bear the risk of forfeiture by the issuer.

Conclusion

The Government's inquiry represents an opportunity for a holistic review of the structure of Australia's retail corporate bond market. More generally, the inquiry will allow for consideration of a number of aspects of Australia's taxation and regulation of financial instruments, to identify anomalies and incentives which either encourage or discourage certain types of investment. In the absence of a specific policy position to the contrary, the same taxation and regulatory settings should apply across all investment classes, and corporate bonds are an excellent example to ascertain whether Australia's current settings inadvertently fail to have equal application. AFMA looks forward to participating in the Government's inquiry.

Rob Colquhoun is a Director of Policy at the Australian Financial Markets Association (AFMA). Rob has primary carriage of AFMA's Taxation and Anti-Money Laundering committees. Rob also acts as AFMA's Company Secretary and Financial Controller. Rob holds Honours degrees in Law and Finance from the Australian National University

GLOBAL INSIGHTS

“The recent scandals that have affected confidence in the use of the London interbank offer rates, Regulators have encouraged the migration away from these IBORS to alternative benchmarks that reflect an instrument with underlying government credit risk and one that has a high degree of trading liquidity.”



PAUL ATMORE

Chief Executive Officer

NZFMA

New Zealand Financial Markets Association (NZFMA)

ESTABLISHING A FALLBACK BENCHMARK FOR THE NZ DOLLAR INTERBANK OFFER RATE, BKBM

Introduction

The NZFMA is the benchmark administrator for a range of critical financial benchmarks used to value, settle and transact a range of different financial instruments. Our key benchmark, BKBM, is classed as an Interbank offer rate (IBOR) reflecting the value of bank bills traded on the market at 10:20am.

Given the recent scandals that have affected confidence in the use of the London interbank offer rates, Regulators have encouraged the migration away from these IBORS to alternative benchmarks that reflect an instrument with underlying government credit risk and one that has a high degree of trading liquidity. These benchmarks are referred to as Risk Free Rates and also termed the `fallback' rate to the existing IBOR. Countries such as New Zealand have been encouraged to establish fallback rates for their IBORs so as to ensure continuity in the event that the existing IBOR was discontinued for any reason.

This article wishes to highlight the process that the NZFMA embarked upon to select and establish its fallback benchmark which will also be its risk-free rate (RFR).

Background

On January 15 2019 the NZFMA released a consultation document on a fallback benchmark interest rate for BKBM. A fallback benchmark is needed to promote stability in markets given the ongoing need to price large volumes of derivatives if BKBM were no longer available. The fallback is also needed to comply with the IOSCO Principles for financial benchmarks and to assist New Zealand gaining equivalence with European Benchmark Regulation. These requirements are important to ensure the New Zealand interest rate benchmark continues to be recognised and traded by offshore participants.

The NZFMA received feedback on the consultation from seven institutions, across three industry categories. The quality of the feedback was high and it was apparent the seven organisations had put the necessary resources into the preparation of their responses.

All respondents agreed that no one option meets all the necessary criteria although they were all able to rank their preferences stating that some of the options met more of the criteria than others. In general respondents focussed on the following criteria:

- transaction based with a reasonable volume of liquidity;
- minimise opportunity for, or remove, misconduct;
- stability (limited volatility);
- transparency;
- international developments; and
- ease of implementation.

Four respondents favoured Interest Paid on Reserves (IPR) while one respondent favoured each of the remaining options; Official Cash Rate (OCR), Overnight Interbank Cash Rate (OIBR) and Overnight Indexed Swap (OIS). No other options were put forward by the respondents.

All the respondents were relatively comfortable with the criteria used to determine the four options and there was a unanimous view that the calculation of term and credit spreads, if required, should follow international developments that are being led by ISDA.

Benchmark administration (BA) drew a varied response. Most respondents were comfortable with the NZFMA remaining the BA of BKBM assuming it meets the IOSCO Principles and opts into the soon-to-be introduced licencing regime overseen by the Financial Markets Authority (FMA). The majority of respondents favoured the Reserve Bank of New Zealand (RBNZ) as BA for the fallback benchmark interest rate. This was based on the assumption that the rate would be a RBNZ produced rate and international developments. The Bank of England, Fed Reserve and Reserve Bank of Australia have taken on the BA role for the recently introduced risk free rates. Two respondents suggested the NZFMA could be BA for the fallback rate, while one

respondent suggested that the BA for both BKBM and the fallback rate should be independent.

Working Group (WG) assessment

The WG meet on two occasions to discuss the consultation feedback and determine the option it would recommend to the Benchmark Oversight Committee (BOC) and NZFMA Board. Additional work had been completed in making this assessment including liaising with stakeholders such as MBIE, FMA and RBNZ. As a result of this process the WG were initially able to reduce the possible options from four to two, before further assessment allowed them to finalise their recommendation.

Recommended option - OCR

The WG settled on the OCR as the fallback benchmark interest rate for BKBM. The reasons were as follows:

- The risk free rates introduced globally, such as SONIA, SOFR and RBA cash rate are all expected to trade at a rate similar to the respective Central Bank policy rate. In the case of the RBA cash rate the WG were unable to find an instance where this rate had set at any other rate than the RBA policy rate.

- BKBM is currently traded as a compound of expected future monetary policy settings plus a spread for bank credit. If ISDA protocols are to be adopted it is important that the RFR component closely resembles underlying BKBM pricing without introducing undue volatility. The OCR most closely met this requirement.

- Some consultation respondents favoured IPR mainly because they deemed it to be a transactional rate. The WG remains sceptical that this is the case and expects if the IPR had not been put forward as an option in the consultation most respondents would have selected OCR.

- The OCR is already widely recognised and traded as the benchmark index for OIS.

- Central banks and their rates are exempt from European Benchmark Regulation (EU BMR) and the European Securities and Markets Authority (ESMA) register.

- It was unlikely that the RBNZ's monetary policy framework would be altered in the medium term thus providing stability to the fallback benchmark interest rate.

- The OCR significantly reduces the perception of, and ability for there to be, attempted manipulation of the rate.

- The OCR is stable and not influenced by exogenous factors.

- The OCR will be easy to implement, with the rate already published on Refinitiv (Thomson Reuters) and Bloomberg, and on the RBNZ's website.

- The OCR provides a significant history set when considering ISDA spread adjustments.

The WG is aware that this may be a departure from other jurisdictions where some form a traded cash, either on a secured or unsecured basis, is being used. However, the WG was of the opinion, that given New Zealand's unique size and liquidity characteristics a RFR of this nature was at risk of introducing unacceptable levels of volatility. This was especially the case during times of stress.

The NZFMA have begun discussions with ISDA regarding the updating of documentation to reflect the OCR as the fallback benchmark interest rate and the implementation of the calculation and publication of term and credit spreads. They have requested, as was the practice in other jurisdictions, that the Central Bank provides confirmation of, and support for, the fallback benchmark interest rate selected in the form of a letter. The NZFMA is currently liaising with the RBNZ on this matter.

Discarded options

Interest paid on reserves (IPR) - IPR received the most support from consultation respondents. This was largely based on the premise that IPR was a transactional rate meaning this option met more of the IOSCO Principles than the OCR. However, some respondents were sceptical that the transaction based principle was met by ESAS account holders leaving balances at the RBNZ. The IOSCO Principles note that

"The data used to construct a Benchmark should be based on prices, rates, indices or values that have been formed by the competitive forces of supply and demand (i.e., in an active market) and be anchored by observable transactions entered into at arm's length between buyers and sellers in the market for the Interest the Benchmark measures."The WG also suspects that the IPR would, on nearly all occasions, produce the OCR rate. Data provided by the RBNZ for the last five years indicated this was the case. Further, respondents noted that the calculation of this rate was less transparent given some of this information is confidential between the RBNZ and each ESAS account holder. Lastly, IPR is not currently calculated or published by the RBNZ and to date the RBNZ has indicated that it does not want to take on a BA role.

Overnight Interbank Cash Rate (OICR) - This market, while more liquid than BKBM averaging around NZ$500 million per day, does suffer from a lack of liquidity from time to time. This rate can also be volatile at times. The WG monitored the OICR over a 5 month period and it set in a range of -/+ 15 basis points to the OCR. The WG agreed that this was too volatile for a benchmark interest rate. This volatility can be driven by a number of factors and largely by NZ's most liquid and volatile overnight market, FX swaps. As a result, the OICR market could become dysfunctional in a crisis adding to instability if it were the benchmark interest rate. Both respondents and the WG agreed the data collection could be improved to make the survey more robust and increase daily trading volumes. However, it was noted this would require the allocation of significant resources from contributors and the BA.

Overnight Indexed Swap (OIS) - This market is also very illiquid and can go for long periods of time with no transactions. OIS trades to both term dates and RBNZ meeting dates with the latter having the most market liquidity. This would require term rates to be calculated from the RBNZ meeting day run and both respondents and the WG thought this would be too complex. The OIS uses the OCR as the floating benchmark rate.

Fallback benchmark interest rate - Given the WG's recommendation of OCR for the fallback benchmark interest rate there are two roles that need to be filled. The first is the BA of the OCR and the second is the calculation and publication agent for the term and credit rates (to provide the fallback for BKBM). The two roles could be administered by one vendor or spilt between two vendors.

Paul Atmore, CEO, New Zealand Financial Markets Association.

During the last thirty years Paul has worked in both directly and within the service industry of the New Zealand financial markets. He currently works as CEO for the New Zealand Financial Markets Association being the peak industry body for the wholesale financial markets. Paul is also the co-founder and director of Global Rate Set Systems which most notably are the Calculation Agent for the key European financial benchmarks, Euribor and Eonia.

Prior to 2007, he held the position of Head of Financial Markets for Westpac Institutional Bank NZ for a period of six years. Prior to Westpac, he completed a seven-year term as Country Manager for Reuters NZ after leaving a similar role with Dow Jones Telerate in both Wellington and Sydney.

He holds a Commerce Degree from Lincoln University with majors in economics, marketing and agriculture.

GLOBAL INSIGHTS

“From a broader perspective, we highly believe that the long-term financing structure offered by our capital markets contributes to the sustainable growth of our country with its strengthened infrastructure, its relatively low-cost resourcing structure, benefiting from the positive effect of growth while providing an incentive for company institutionalization.”



ILKAY ARIKAN

Secretary General

TCMA | TURKISH CAPITAL MARKETS ASSOCIATION

Turkish Capital Markets Association (TCMA)

TURKISH CAPITAL MARKETS: 2019 IN A NUTSHELL AND CURRENT AGENDA

2018 has been a year when the Turkish economy has managed to overcome significant risks. While financial markets took their share from the turmoil experienced at home and abroad during the year, the measures taken by the economy management in this period yielded positive expectations regarding the markets. In 2019, both the economy and the capital markets performed even better than the expectations at the beginning of the year.

Indeed, following the steps that the economy management has taken Turkey’s risk premium was in a decline in 2019 together with the inflation rate going down to 12%, from 25% in the last quarter of 2018. In this environment, while the BIST-100, the main index in Borsa Istanbul equity market, increased to 114,000 points, 26% higher compared to the beginning of the year, the market capitalisation reached $ 186 billion at the end of the year. The benchmark government bond’s interest rate that has raised up to 25% in the first half of the year declined to 11% at the end of the year.

While 6 companies provided financing throughout IPOs in 2019, 1,330 bonds were issued during the year. As of the end of the year, Turkish corporate bonds measured $ 16 billion.

Another structural contribution to our financial markets was that Borsa Istanbul started calculating the ‘Turkish lira Overnight Reference Rate’ (TLREF) in June 2019. This product, which is designed in liaison with international standards in order to manage the interest rate risk of financial institutions in TL, also paves the way for loans with floating rates.

From a broader perspective, we highly believe that the long-term financing structure offered by our capital markets contributes to the sustainable growth of our country with its strengthened infrastructure, its relatively low-cost resourcing structure, benefiting from the positive effect of growth while providing an incentive for company institutionalization.

As the capital markets actors represented by our association, we focused on emphasizing the value created by our industry regarding its contribution to the economy.

During the year, we carried various communication projects to enhance this function. The focus of our communication activities is to increase the awareness regarding the capital markets and to expand the investment culture in our country. In this regard, we started a multi-faceted communication study in 2019 within the framework of a strategy in which we actively use both traditional media and social media where we constantly highlight the value created by the capital markets in many aspects from private pension plans to public offerings.

In this context, which we have initiated broadcasting twice a month on a private television channel. We conduct discussions regarding the added value of the capital markets, together with all stakeholders. We put our best efforts to revise the existing investment culture in Turkey in a radical way and we will continue these projects.

We have completed is the fourth Turkish Capital Markets Congress in 2019, supported by the Presidential Office of Finance and the Capital Markets Board of Turkey and within the main sponsorship of Borsa istanbul. Our congress, which lasted for two days with the theme of ‘transformation’, hosted over 6,000 people with the participation of policymakers, local and foreign experts, academics, students and investors, as well as industry professionals. All sessions held at the congress were broadcast live on the social media channels of the Association. Within this wide reach, we believe that we have managed to extend the investment culture among the individual savings holders whereas financial markets as a business area for students.

Also, during the congress, B2B meetings, where real sector firms have the opportunity to come together with the investment firms that are members of our Association. We believe that this established bridge will constitute very successful partnerships sector-wise, in the coming years.

We have also been granted pride in realizing the first hackathon event in the capital markets in 2019. 23 runner-ups in the finals out of 54 teams, coming from all around Turkey presented their projects they have developed custom-made for capital markets

after the 2 days of coding marathon. We, as TCMA are very delighted to have organized this very first experience.

Besides these projects, 27,000 students from 60 universities attended our financial literacy events, we have realized in 2019. Moreover, 715 people from exporter companies attended 7 different panels on 'currency risk management for companies engaged in exports' which we have organized in cooperation with the Turkish Exporters Assembly.

Looking ahead, we value the Istanbul Finance Center project as a big opportunity both for the finance sector and Turkey, in order to strengthen Istanbul's standing among the global centers. The Government declared that the Center is targeted to be opened latest at the beginning of 2022.

We also support the goal of increasing savings, expressed in the government program for the 2020-2023 period, and we welcome all the efforts to expand capital markets. We believe that the institutional investor base must be expanded to increase the demand for capital market products. We highly think that the investors should be encouraged to transfer their savings into the capital markets via collective investment instruments.

Last but not least, we had the honour of hosting the 24th ASF Conference in Istanbul on November 2-5, 2019 in Istanbul where 18 ASF members have participated and worked around a series of efficient meetings whereas have shared valuable insight and know-how on the capital markets. As yourselves, the host of the 2020 ASF Conference, we all anticipate and highly believe that it will a spectacular meeting in India under the supervision of your esteemed team.

As main players of this industry, we value the idea of communicating capital markets' role and function for the economy to the general public in order to increase our contribution to the economy. While working towards realizing our goals, cooperating with both our domestic partners and being in contact with our foreign stakeholders such as BBF makes us stronger.

Ilkay Arikan, Secretary General, Turkish Capital Markets Association (TCMA)

After graduation from the Hacettepe University Economics and Administrative Sciences Department, between 1989 and 2001, he worked as an Expert at the Capital Markets Board of Turkey. In Wharton Business School-Pennsylvania-USA, he attended an Executive MBA on Securities Regulations and Corporate Finance, between 1997-1998.

Starting from 2001, he pursued his career at the Association of Capital Market Intermediary Institutions of Turkey. Since 2004, Mr. Arikan has been the Secretary General of the Association.

He served as the Member of Board of Central Registry Agency Inc. between 2004 and 2006. Since 2006, he is a Member of the Capital Markets Sector Assembly at the Union of Chambers and Commodity Exchanges of Turkey and since 2004 he serves as the Member of the Tax Council of Turkey.

GLOBAL INSIGHTS



"Among the diverse projects that it (AMIB) administers to comply with its purpose stands out the PRIME Certification, as part of the Institutionalization and Corporate Government Program to Issue Securities in the Market, which was launched in August 2017 jointly with the National Bank of Foreign Commerce (BANCOMEXT), the Mexican Stock Exchange (BMV) and AMIB."

EFREN DEL ROSAL CALZADA

Chief Executive Officer

AMIB Mexican Securities Industry Association

Mexican Securities Industry Association (AMIB)

PRIME CERTIFICATION

AMIB is the Mexican Securities Industry Association, founded in 1980 as a non-profit association gathering brokerage houses and Investment Fund Managers in Mexico, has the authority to issue self-regulatory rules and certify the technical capacity of brokerage houses promoters, operators and advisors. Its purpose is to strengthen business brokerage and the development of the Mexican Stock Market.

Among the diverse projects that administers to comply with its purpose stands out the PRIME Certification, as part of the Institutionalization and Corporate Government Program to Issue Securities in the Market, which was launched in August 2017 jointly with the National Bank of Foreign Commerce (BANCOMEXT), the Mexican Stock Exchange (BMV) and AMIB.

The program was created with the purpose of promote Mexican Corporations so that they access diverse business financing sources offered by the BMV, strengthening the financial and organizational structure and achieving its permanence in time. Among the main aspects of the aforementioned program there is that the corporations have a solid structure in its internal bodies **when implementing best practices in the corporate government aiming at being prepared to launch an Initial Public Offering.**

For the foregoing, the PRIME Certifying Committee issued the Corporate Government Guide to Obtain the PRIME Certification (the Guide);this Committee is a collegiate body which originally consists of BMV, Bancomext and AMIB. Nowadays, Nacional Financiera (NAFIN), the Institutional Securities Exchage (BIVA) and the Business Coordinating Council (CCE) have been included.

NAFIN and BANCOMEXT are the two more important development Banks in Mexico and therefore are key for this project, since they support the programs with a promoting banking approach which may offer financing in preferable conditions in exchange for the financed corporations commit themselves with solid efforts and specific goals to improve its corporate government.

CCE is the maximum business representation body in Mexico, moreover, by means of a specialized committee, CCE is in charge of integrating and updating the Best Practices Code of the Corporate Government in Mexico, which is the basis so that all the corporations in the country have guides to structure its corporate government, part of it is mandatory by Law for the corporations listing bonds or shares in stock markets. Furthermore, public corporations are bound to report annually the level of achievement of the refer code.

PRIME Certification represents a flagship conferred to corporations complying with the standards established in the Guide, for the foregoing, the corporations have a maximum 24-month term.

Corporations use the support of recognized prestige firms in institutionalization and corporate government practices, which are registered as auditors to verify the compliance with the Guide. The firm issuing the compliance report, submits it to the Committee for its evaluation, and if applicable, approval and Certification conferral.

The benefits for the corporations upon obtaining the PRIME Certification are the following:

- Transparency
- Stability and soundness.
- Long-term strategic vision.
- Corporate ethics and social responsibility.
- Risk control and conflict of interest.
- Reliability of investors, national and foreign.
- Honest and responsibility business management at all levels.
- Greater rentability and liquidity, financial solvency.
- Permanence in time and constant growth.

It is important to emphasize that for financial institutions the fact that a corporation has implemented corporate government practices and, consequently it has professionalized its processes, allows to carry out a more detailed analysis, which in turn translates into a better credit rating of its risk.

Upon 2019 closing, the following advance was reported: 25 corporations in pipeline, 8 cases in analysis, 7 authorized cases and 3 certified corporations, which obtained financing in the amount of 257 MMD.

The core of the **Institutionalization and Corporate Government Program for Issuing in the Market** is that the corporations are invited to participate therein, when they need financing for its productive and growth activity, however **if they commit to establish a plan to increase better practices of corporate government** with concrete goals, which are measurable and verifiable within the time and as stated in the credit contract, then, **BANCOMEXT and NAFIN provides financing in preferable conditions, to wit:** term, rate, destination specification of the funds, etc.

The foregoing is translated into less financial cost from the beginning, which **works as an incentive to implement its corporate government,** so, in a second stage, which may take from some months and up to two years, when the corporations have covered the guide, then they will be subject to a compliance certification of all the governance requirements specified in the guide, which is the one known as **Prime Certification**, made by a third party, which are the firms part of the project support network and finally said certification is issued by the Prime Certification Committee.

In the event of obtaining the Prime Certification, the corporation obtains a reduction in the original credit rate agreed upon from the moment in which the contract was signed.

Finally, the program considers a third stage in which the corporation is invited to promote a bond or share placement in any of the exchanges that partake in the program (BMV & BIVA) this instance, is once more translated into a new reduction of the original credit rate, which is planned to converge with the market rate corresponding to a corporate bond according to the credit risk of said corporation.

The brokerage houses associated to AMIB, participate at diverse moments in the process, from promoting the program, accompanying the corporation in the implementation of its corporate government, but mainly to fullfil the final stage of the program which is to achive a public issue of bonds or shares in the stock market to complete in this manner the spirit of the program, which as readers may see, have a clear promotion guideline, to wit: **promoting that companies implement within themselves corporate government practices to comply with the level required by the securities public markets.**

All the participants of the program, assume as well the commitment of offering their services with discounts or preferable conditions for the interested corporations so as to reinforce its promotion approach.

It is important to mention that in 2019 the Latin American Association of Development Financing Institutions (ALIDE) granted an award to Prime Certification as the best financial product of the year. Said award recognizes the initiatives or programs focused on promoting business development, the promotion of business competitivity and the creation of new opportunities through financing.

Currently, in the Mexican Business Information System (SIEM) there are 17 thousand corporations with an annual average sale of 30 million de pesos, which generate 40% of the GDP in Mexico. This is the approximate universe of corporations which are likely to be included in the Program. The foregoing shows its relevance and AMIB commitment to further impulse, along with the public and business sectors altogether, the development of the Stock market in Mexico.

Efren del Rosal is a holder of a Bachelor's Degree in Economics by the Universidad Iberoamericana and has been the General Director of the Mexican Securities Industry Association for 26 years.

For 32 years, he has worked in Securities Market development activities, therein he has treated aspects such as: the Securities Market Law, the Investment Funds Law, Securities Operations in the International Bidding Section, Mexican Derivatives Market, Capitalization Rules and Financial Asset Assessment, Short Sales, Optionable Stocks, Securities Expert and Market Maker, Foreign Investment Rules in several negotiable instruments, including the concept of funds and neutral shares, Currency transactions, Exchange Coverage, Statistics for Regional Financial Brokerage, Investment Funds Rules, Retirement Savings System and Siefores (Pension Funds); as well as the Certification of Securities Market Professionals.

He has taken part or directed projects related to Strategic Planning of the Securities Sector, Operational Automatization of the Securities Market, Adjustment and Self-regulatory, fostering the Corporate Government Practices, Ethics Code and implementation of multiple mechanisms for the promotion of securities financing and diverse operating modalities, to wit: REITs, stock market certificate, future and bids, securities liquidation and compensation systems.

Efren Del Rosal has published several articles in financial topics and has participated as presenter in a great variety of forums, in more than fifteen different cities, both in Mexico and abroad.

GLOBAL INSIGHTS



“SRO NFA and Russian Repo Council are also working on the register of the Russian repo dealers and on the new edition of the Russian Repo Master Agreement, which will further facilitate the development and fine tuning of the Russian repo market.”

ANDREY KRYLOV

Head of Securities Markets Division

SRO NFA NATIONAL FINANCE ASSOCIATION

National Finance Association (NFA)

ON THE KEY MILESTONES OF THE EVOLUTION OF THE RUSSIAN REPO MARKET AND THE PROSPECTS OF ITS FURTHER DEVELOPMENT

The modern history of the Russian financial market originates in the early 1990s. In this period of transformation of the Russian economy, the banking sector was emerging, the foreign exchange market was formed, the stock market was organized, and the money market gained an impetus for its development. Fundamental laws and regulations have been adopted, in particular, Federal Law on Banks and Banking Activities No 395-1 dated 02.12.1990, Federal Law on Securities Market No 39-FZdated 22 April 1996 and others, which created the legislative framework for the effective functioning and subsequent development of the Russian financial market.

There are different views on which date should be considered as a starting date of the Russian repo market. V.I. Polyakov in his article “REPO a place in the system of civil law institutions” (Legislation and Economics Journal, No 9, September 2004) stated that the repo transactions in modern Russia began to be concluded in 1994 with foreign currency domestic sovereign bond issued by the Ministry of Finance of the Russian Federation. The first repo transactions were concluded between large western banking institutions and Russian banks with foreign investments based on PSA / ISMA Global Master Repurchase Agreement, as well as agreements developed by banks on their own. It is expedient to note that there was no normative regulation of repo transactions with these bonds at that time.

The most common understanding of the starting date of the modern Russian repo market is 1996 when Central Bank of the Russian Federation (Bank of Russia) concluded its first repo transaction on Moscow Interbank Currency Exchange (MICEX) with the local commercial banks with the government securities as the eligible collateral. But there were no regulatory explanations from the Bank of Russia and Federal Securities Market Commission on the practice and regulatory regimes for the repo transactions and, as a result, Federal Tax Service was used the standard taxation scheme for the repo transactions, forcing to execute the first and second legs of the transaction as two unlinked transactions.

The perspectives of the development of the repo market as a special project by the joint efforts of the market participants, infrastructure organizations and the Bank of Russiawas firstly discussed in 2000. As a result, in 2001 was adopted and came into force Article 282 of the Tax Code of the Russian Federation, which, from a tax point of view, linked the opposite transactions of sale of securities in a single repo transaction. However, its first edition had many gaps (which, in particular, retained the risk of re-qualifying the transaction) and weaknesses (it was impossible to use a short repo position). Still, in general, it was a big and fundamental step forward in the development of the repo market.

In 2006 the significant amendments to the Article 282 of the Tax Code of the Russian Federation were adopted which detailed the taxation of short repo positions, as well as their accounting for tax purposes, levying taxes on securities loans, specifics of determining the tax base for repurchase transactions, including determining the interconnectedness of securities sales operations, etc. Thus, it became possible to use a short position in repos and eliminated several shortcomings of the previous version. As a result, repos received a powerful impetus for development.

In 2003, two Bank of Russia Regulations were developed and put into effect that govern operations on the government securities market, including repo transactions, the Bank of Russia Regulation dated March 25, 2003, No. 219-P “On Serving and Circulating Issues of Federal Government Securities” and Bank of Russia Regulation dated March 25, 2003, No. 220-P “On the Procedure for Conclusion and Execution of REPO Transactions with Government Securities of the Russian Federation”.

Regulation No. 220-P established the conditions for conducting repos in the government securities section of MICEX - both repos between

dealers of the GKO-OFZ market and the Bank of Russia. It contained several necessary innovations, technological capabilities of which were provided by MICEX.

So, it was possible to discount the value of the collateral after the transaction. A mechanism was developed for revaluation of collateral at market prices during the term of a repo transaction, establishing a relative upper and lower limit value for the value of the collateral and making compensatory contributions and collateral with the number of funds provided in repos. There was an opportunity to carry out repurchase agreements with a security lock.

In 2006, in consultation with the European and International REPO Councils and with support of the ICMA, Bank of Russia and MICEX, the Russian Repo Council was established under the administration of SRO NFA. The main task of the Russian Repo Council was to continue the project to develop the Russian repo market. The Council brought together the major financial market participants, market infrastructures, as well as the representatives of the Bank of Russia. Since its establishment, it was and still chaired by the Bank of Russia representative. Among its essential tasks, we can single out the formation of the Russian registry of repo dealers.

A significant event for the REPO market was the agreement by the participants of the Russian REPO Council in 2006 of the General Repo Agreement, developed under the auspices of the National Stock Association. The agreement was prepared based on the General Master Repurchase Agreement (GMRA) of the international organization International Capital Market Association, ICMA, taking into account the practice of the Russian market and the Russian legal and regulatory framework. The largest Russian financial institutions use the SRO NFA General Repo Agreement. It is offered to market participants as a standard (model) framework agreement for the emerging refinancing system through repos. At present, the modification of the NFA General Agreement on repos is applied for repos with the Bank of Russia.

And already on August 2, 2007,Gazprombank and Petrocommerce Bank concluded the first deal on the SRO NFA Russia Repo Master Agreement. Currently, the Agreement is actively presentedin the Russian OTC repo market. A significant portion of participants uses it explicitly or by default.

In 2007, the Bank of Russia settled the issues of reflecting repos in the accounting of credit organizations. The approach to accounting for repos was built by the principles of IFRS - not as two transactions for the sale of securities, but as operations to provide cash backed by securities (or vice versa).

The next significant event was the appearance at the end of 2009 in the Russian legislation of the concept of a repo transaction as a separate type of agreement (Article 51.3 “Repurchase Agreement” of the Federal Law “On the Securities Market”).

The next milestone for the Russian repo market was introduction in 2011 the close-out netting framework for repo transactions which concluded on the basis of the Sample terms and conditions of repurchase agreements in the Russian financial market, such as SRO NFA General Repo Agreement and GMRA. Which also resulted in publication by ICMA on 20February 2013 a Russian Annex to the GMRA 2011.

In 2019 Russian Repo Council has updated the methodology of the Russian repo survey, which is now based on the data received from Moscow Exchange, National Settlement Depository (repository of the repo transactions) and Bank of Russia. These changes to the survey’s methodology have relieved the Russian repo market participants from preparing and providing information about the repo transaction for the study.

As for the modern state of the Russian repo market development, we could notice the increasing role of the individuals on the Russian repo market. According to Russian legislation, the repo transactions with individuals could be performed. However, if an individual uses the bankruptcy mechanism, then his counterparty is likely to suffer because set-off of claims is not possible. When performing a repo transaction of an individual through a broker, a similar situation arises. This problem is considered in the framework of the Russian Repo Council. There is an understanding that for the possibility of using close-out netting in a direct repurchase transaction with individuals, it is sufficient to amend paragraphs 3 and 6 of Article 4.1 of Federal Law of October 26, 2002, No. 127-FZ “On Insolvency (Bankruptcy)” (Law 127-FZ). However, to solve the problem of the repo transactions of individuals through a broker, it seems that more ambitious changes are required in the legislation: not only to Law 127-FZ but also to Federal Law dated 22.04.1996 No. 39-FZ “On the Securities Market ". And the Russian Repo Council is reviewing and discussing with the relevant stakeholders the possibilities of proposing changes and amendments to the Russian regulation to adopt the initiative as mentioned above.

It is expedient to highlight other market initiatives, which focused on the further development of the Russian repo market:

- to expand the list of Highly Liquid Assets, as well as to refine the ratios with which HLA are currently calculated in the short-term liquidity ratio;
- to introduce the concepts of the ultimate beneficiary in Russia, similar to foreign practice. As a result, the Russian money market will become more prosperous and efficient. And collateral under repo transactions can be taken into account in calculating the risk weight of assets;
- to hold a review of the restrictions for brokers (brokers who make repo transactions for a period of more than three months, utilise 100% of the capital).

SRO NFA and Russian Repo Council are also working on the register of the Russian repo dealers and on the new edition of the Russian Repo Master Agreement, which will further facilitate the development and fine tuning of the Russian repo market.

Andrey Krylov joined NFA as Head of Securities Markets Division in January 2018. In this role he is responsible for Russian and international securities markets, international cooperation and research.

Before joining NFA, he spent nearly four years at the Central Bank of the Russian Federation (Bank of Russia). He served as Chief economist of Foreign Authorities and International Organizations Cooperation Unit of the Financial Market Development Department of the Bank of Russia. In this capacity, he was responsible for cooperation with foreign authorities and international organizations in the field of the development of financial markets and research of the international best practices’ frameworks for the further adoption by the Bank of Russia. He worked closely with the foreign regulators, regulatory bodies, trade associations and organizations, including IOSCO.

Since January2017 he Chairing ICMA Regional Committee for Russia and other CIS countries.



GLOBAL INSIGHTS



“For 10 years (2009-2019), Vietnam's bond market has made impressive progress in terms of scale and depth, confirming its role as an important and effective capital mobilization channel for the State Budget. At the same time, bonds are fundamental financial asset which acts as a catalyst to develop the financial market and a tool for the government to effectively implement financial and monetary policies.”

NGUYEN THI KIM OANH

Chairwoman

VBMA
Vietnam Bond Market Association

Vietnam Bond Market Association

VIETNAM BOND MARKET AND VIETNAM BOND MARKET ASSOCIATION INTRODUCTION

For 10 years (2009-2019), Vietnam's bond market has made impressive progress in terms of scale and depth, confirming its role as an important and effective capital mobilization channel for the State Budget. At the same time, bonds are fundamental financial asset which acts as a catalyst to develop the financial market and a tool for the government to effectively implement financial and monetary policies.

Government bond market

By the end of September 2019, Vietnam's government bond market size over GDP ratio reached about 28%. Especially, the State Treasury bond portfolio has increased nearly 7 times, compared to that in 2009.

Over VND 1.8 million has been raised for the State Budget via government bond, equivalent to 31% of the total State investment capital in 2018. The auction winning ratio also rose from 4% in 2009 to the present level is more than 80%, indicating that the ability to meet the capital needs of the Government bond market was improving positively.

The average tenor has increased from 2.6 years to 13.5 years, thereby reducing the payment pressure of the State budget in the short term.

Government bond auction winning rates in the primary market in the past 10 years have dropped sharply by 7% to 10%/year, depending on respective tenors. The average trading volume increased from VND 175 billion/session in 2009 to VND 8051 billion/session in 2018 and continued to increase by nearly VND 9 trillion/session in the first 9 months of 2019.

Investor base is diversified with the participation of non-bank investors (e.g. insurance companies). By the end of 2019, the holding ratio of commercial banks was 43.87% (declined by 3.93%, compared to 2018),while the percentage of government bonds held by non-bank financial institutions is 56.13%.

Corporate bond market

Along with the strong development of the government bond market, the corporate bond market has also shown remarkable growth in terms of scale in recent years. By the end of June 2019, the corporate bond market size over GDP ratio was about 9.5%, 3 times higher than that in 2009.

In 2011, there were only 50 enterprises issuing corporate bonds to raise VND 27,313 billion. In 2018, the issuance volume reached VND 224,435 billion, 30 times the figure in 2011. In the first 9 months of 2019, corporate bond issuance value was recorded at VND 173,911 billion.

In regard of tenor, most corporate bonds issued via private placement had terms of 1-3 years. The average term of corporate bonds issued in the first 9 months of 2019 is 4.5 years.

In terms of issuance rates, most companies issued bonds with floating interest rates, which equal to the annual interest rate of one or several domestic commercial banks plus a margin of 2-4%. There were very few issues with fixed interest rates. In the first 9 months of 2019, the average issuance interest rate was 9.74%/year.

Vietnam Bond Market Association

Established in 2009, VBMA has been accompanying the state agencies and contributing to the development of Vietnam's bond market for the past 10 years. VBMA represents the common interest of 72 members including banks, securities companies, fund management companies, insurance companies, etc. VBMA's mission is to champion policies and practices that benefit its members, create a high-standard debt market professional community in Vietnam, become a leading navigator in market modernization and development, a collective source of market information, a policy dialogue interlocutor for policymakers and regulators.

What has been done by VBMA?

- Introduced the VBMA Government Bond Yield Fixing in 2012
- Developed and Introduced MKC and COC in 2011
- Introduced the Master Agreement for Outright Transaction
- Introduced the Master Agreement for Repo transaction
- Organized 75 training courses, seminars and workshops on bond market with nearly 8,000 participants

Some Future Development

- Introduce the STBR (Short-term Benchmark Repo Rate)
- Establish Bond Information Center
- Establish a local Credit Rating Agency (possibly)

Nguyen Thi Kim Oanh, Chairwoman of Vietnam Bond Market Association
Oanh is currently the Deputy General Director of Joint Stock Commercial Bank for Foreign Trade of Vietnam (Vietcombank - VCB).

Working at Vietcombank since 1997, she has held the positions of member of the Board of Directors and Head of Credit Policy Department. Oanh has a Bachelor's degree from the National Economics University and a Master's degree in Banking and Finance from the University of New South Wales Australia.

GLOBAL INSIGHTS



“There are times, such as now, when the world is hit by COVID-19, when global economy is slowing down, you can see the index is going down, rapidly. The green color becomes little dots here and there in the sea of reds.”

LILY WIDJAJA

Executive Director

Indonesia Securities Companies Association

RICHER AND RICHER

They say that if you want to get rich, you must invest in equity. Of course you know it means portfolio investment in listed companies stocks. I have heard this too many times. Fund managers, brokers, be it buy side or sell side, all will tell you the same thing. I guess what they say has solid basis. If you look at index performance, for example in certain year was x, in the next 20 years becomes y, where y is 3000% of x. Simple math will get you a nice 150% yield per annum. Now what kind of business or investments or savings that will give you such a huge return? They say you should be happy when direct investment in real sector give you a profit margin of 15%, gross is acceptable, net is definitely wonderful.

Who does not know Warren Edward Buffett, the investment guru who is revered with awe? Even mentioning his name in public or in a circle of friends will make you feel you are so knowledgeable and intelligent. An American business magnate, investor, and philanthropist, who is the chairman and CEO of Berkshire Hathaway. He is considered one of the most successful investors in the world and has a net worth of US$88.9 billion as of December 2019, making him the fourth-wealthiest person in the world. He is where he is today (this rich!) is because he has invested in stock market at very early age of his life.

We celebrate what equity market can do to significantly multiply our wealth, in short time, in good times...

There are times, such as now, when the world is hit by COVID-19, when global economy is slowing down, you can see the index is going down, rapidly. The green color becomes little dots here and there in the sea of reds.

But this article’s focus is not on equity market going down because of COVID-19 or financial crises. This article is to take picture on certain reality of the stock market and to reflect whether we need to worry about other type of virus that may sicken our capital markets.

It is interesting, sadly though, to learn that certain people get rich in the capital market because of certain engineering.

Regulations will tell you what sort of things you may not do: insider trading, front running, pump and dump, market manipulation, et cetera. The fact is, transactions executed to create or maintain certain price and activities, with no change in de facto beneficiaries, are as normal as breathing the air. In effect, brokers will book more brokerage fees, Stock Exchange will show better size of trading value, which translated nicely in higher revenue. You can cite other good impacts it gives to the economy. Market manipulation is out of the picture. You will wonder if this practice is actually normal or if the regulation is overacting to prohibit such a thing. Questioning this will make you look unbearably naïve. It will even make you question your own sanity.

Another interesting thing is to learn that you can actually do “strategic” IPO. Of course you know that IPO or initial public offering is when a company sells its shares to the public, in return gets certain amount of funds to accomplish its purpose of going public, and then becomes listed with its stocks available for trading in the market. So what is strategic IPO? Strategic is a good word. It sounds smart and high class. But strategic can have devastating effect if it is engineered with ill intention. For example, company with no fundamental value is dressed in such a way so it looks so beautiful, hence the public is lured to purchase the stocks. And after all funds are pocketed, the company is going down with no performance, disappearing, and most tragically: gets delisted. All the stock becomes valueless.

In the so-called market manipulation, while many parties will get rich, it is fair to say that some parties may get hurt, namely those parties who purchase certain engineered stock and then the stock price is declining to bottom, drown, never see the sun again. In the so-called strategic IPO, the general investing public who hold the shares can only shed tears of regret, blaming themselves, losing a sum of money prepared for child’s education, planned wedding, comfort retirement, and other dreams.

So you see it is so easy to get richer and richer in the equity market, although you will note certain parties, be it innocent or not, may be ripped off their wealth in the process. It is not a myth when you heard certain Mr. A or Ms. B takes his or her life due to financial loss investing in equity market. It is also not unheard of, that certain questionable activities that were formerly ignored because they are so profitable to

so many parties, can be suddenly become center of attention as a big NO-NO, hence the parties involved are suddenly faced with huge problem, legally and commercially. The end game could be severe. But so what?! You got rich already.

Richer and richer. True. Is it right to get rich by certain engineering like the above examples? You tell me.

The article shall practically ends with the above question. This simple question has a philosophical basis to place ethics as the first foundation before all the knowledge is formulated. This is the so-called primacy of ethics by an existentialist philosopher, Emmanuel Levinas in his Totality and Infinity: An Essay on Exteriority (translated from French to English by Alphonso Lingis, published in Pittsburgh by Duquesne University Press). Ethics is not just an implication or a follow-up of a knowledge, but it is the first thing to be questioned when the concepts and teachings about the rules of value did not work according to the intent and purpose to create an orderly and sustainable business.

It's not a matter of which comes first, chicken or egg. In the end we are confronted with a criticism of the phenomenon of a number of stains in our capital market's milk container. In the words of Levinas: “considered but no longer lived” (The Theory of Intuition in Husserl’s Phenomenology). Too many good things are known but not lived.

Levinas spoke of ethics as the first philosophy in the context of criticism for the emphasis on extreme ways of thinking and acting on knowledge is everything. As if there are already a number of rules that are well formulated and comprehensive, then everything will automatically run well in the field. The reality is not so. According to Levinas the most fundamental is ethics, which is a value and belief that precedes a concept and an action. For believers, perhaps Levinas' treatise can be analogized to the story of the creation of mankind and universe in the Book of Genesis. That in the beginning everything was dark and did not exist, then because of His good will, God created man and everything, and all was good.

Levinas also talked about time limits and ethics. That ethics will continue to be the basis even beyond the lives of the individual human beings themselves. For example the good practices that have been carried out by Mother Teresa, until now still continues, even though she has passed away to eternity. Likewise what businesses do, good or bad, will have an impact or not, will be continued or forgotten in the future.

As a person who is declared holy because of her charity work that transcends social and religious boundaries, even beyond time, Mother Teresa challenges businesses to do business ethically for the future of humanity as well. All efforts to seek knowledge and the concept of the best rules must start from an ethical or moral situation, a form of responsibility towards others, namely the current and the future generations. We may not be able to predict what will happen; we cannot be sure that what is good in our opinion can still be continued by future generations, but the ethical practices that we apply in business are clearly not just an absurd moral heroism ala Camus. The only way to ensure our future in the presence of future generations or even other lives is hic et nunc to go back to an ethics that guarantees that all goodness and order are lived out, not merely known and realized conceptually in business and life itself. Whatever knowledge and historical continuity is only meaningful if it is based on ethics, that is, responsibility in various fields of life and levels.

Lily Widjaja currently serves as Executive Director of Indonesia Securities Companies Association.

She was former President Director/CEO of Merrill Lynch Indonesia (1995-2012), Director/COO/CFO of Barings Indonesia (1990-1995), and Director/Financial Controller of Asuransi New Hampshire Agung, a general insurance subsidiary of American International Group (1986-1990).

She served as Commissioner of the Jakarta Stock Exchange for 2 terms (2001-2004 and 2004-2007). Post-merger of the Jakarta Stock Exchange and the Surabaya Stock Exchange as Indonesia Stock Exchange, Lily’s terms as Commissioner was extended for 1 year (2007-2008).

She headed the Indonesia Securities Companies Association as Coordinationg Chairperson for 2 terms (2005-2009 and 2009-2014). Prior to this position, Lily was Secretary General (2002-2005) and Head of Broker-Dealer Department of the Association (1999-2002).

She graduated from Tamkang University, Taipei, Taiwan. In 2015, she received the highest award for Tamkang alumni: Tamkang Elite “Golden Eagle” Award.

SMART CLOUD CAMERAS (GUARANTEED LOWEST BANDWIDTH USAGES)



By Siddharth Bera
Managing Director
Epitome Corporation Pvt. Ltd.

EPITOME
Webcast Simplified

Security cameras come with a wide range of features and technologies, allowing you to record video in HD, adjust to changing light levels throughout the day, and even focus your camera remotely. But as the bandwidth and infrastructure limitation in india, its next to impossible to monitor larger number of cameras online.

Ahmedabad based Epitome Corporation Pvt Ltd came up with the series of smart ip based cloud camera, which actually works on low internet and provide a smooth real-time monitoring on secured web portal/app. This special and customised camera don’t need high speed and dedicated internet speed for live streaming. All this cloud camera of EPITOME actually use very very low internet speed for streaming and monitoring. Camera had build in capacity to compress the data and stream.

EPITOME’s Cloud camera iris and image sensor work together to adjust to changing light levels to produce clear video. Other features are found in your camera’s software, like Wide Dynamic Range, which balances the light in a video after it’s recorded, or video compression to allow you to store more files.

You have many choices to make about your camera’s features, from which type of iris and image sensor you want to what level of HD resolution your system needs. Below you’ll find in-depth explanations of these camera features along with suggestions of the best application for each technology.

HD Technology
An affordable alternative to IP cameras, HD cameras combine powerful high definition resolution with compression using H265/AAC. This allows you to streaming and recording of video for license plate capture or facial recognition without upgrading your system to use IP technology.

HD Resolution
If your need is for identify people, read license plates, or capture video to be used as evidence of a crime, you’ll want a EPITOME cloud camera which by default enabled HD resolution for live streaming and recording. HD cameras capture video in a larger, clearer format than traditional cameras so you can easily identify what is happening.

Wide Dynamic Range (WDR)
Recording in an area with uneven light, so one area is overly bright while another corner of the room is always in the shadows? Using EPITOME’s wide dynamic range (WDR), your surveillance camera can balance out the light in the entire video to make actions clearer and easier to see.

Camera Iris
Light plays an essential part if how a surveillance camera works, and the camera iris is the part that controls how much light gets through to the image sensors. EPITOME’s cloud camera make your view enabled with too little light, and even too much, can impact your camera’s ability to record clear videos.

Frame Rates
Frames per second, of FPS, is a standard measurement for how many frames your camera records per second. Higher frame rate makes videos progress smoother, important when recording fast-moving objects.

Remote Focus Lens
When you need to adjust the focus of a surveillance camera after it was installed, remote focus makes it easy. All cloud camera(s) of EPITOME allows you to use software to adjust the focus, so you aren’t required to physically access a camera in a difficult-to-reach position

Video Compression
EPITOME’s cloud camera make it Essential for relaying video within an IP system and for storing video files, video compression codec’s remove or reduce unnecessary files and frames per second without sacrificing your videos image quality. A variety of video compression methods are available for IP cameras.

Log on www.epitomesolutions.in to know about the services they offer.

Contact us:
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Telephone: +91 98795 44338
Website: http://epitomesolutions.in

GLOBAL INSIGHTS

“The easiest way to make money is - create something of such value that everybody wants and go out and give and create value, the money comes automatically.”



GARRY W.G. CLEMENT

President and CEO

Clement Advisory Group

Financial Crime Reality in 2020

Having worked in the financial crime arena for four decades and having been a consultant in this arena for the past decade, all intelligence and historical activities point to this year being the year of cyber crime as a business. A quote from “Jordan Belfort, The Wolf of Wall Street” that sum up for me why financial crime exists and is relatively easy is:

“The easiest way to make money is -create something of such value that everybody wants and go out and give and create value, the money comes automatically.”

Within the current environment financial crime compliance there are big challenges. Criminals have become far more sophisticated and organized crime recognizes the value of targeting financial crime as they see it as the lane of least resistance. If we consider the fact that rapid payments, instant payments, payment services direct “PSD2” have become vehicles that criminals have mastered in order to further misuse the financial system for laundering money and targeting banks, major corporations, governments and their customers and the economy worldwide.

The dilemma facing financial crime compliance is that the costs have continually escalated, including acquisition of technology and resources. It is widely known that many organizations have had to increase their departments as much as 500% in recent years. It is estimated that North America spends more than $31.5 billion a year on financial crime compliance. Notwithstanding this, financial crimes continue to grow at ever increasing rates.

Here is what we will see in the coming years regardless of whether we are speaking of financial institutions and or securities. Artificial intelligence (“AI”), machine learning and robotics are becoming far more advanced and far more capable of analyzing vast amounts of data with an objective of highlighting outliers and anomalies. The challenge will be to ensure organizations have the expertise to select suppliers that best support their financial crime compliance programs based on their individual risk assessments. The ultimate value should be the ability to prioritize alerts based on objective data and being able to adapt to the ever-changing money laundering environment.

The use of Robotics should reduce the need to have a plethora of investigators pouring through all the false positive that organizations deal with on a day-to-day basis. It is estimated that over 90% of alerts pertaining to financial crime and money laundering are false. Robotics should be able to appropriately manage and reduce the reliance on the human requirements and thus same time and money.

Robotics, in the coming years will be integrated into an enterprise-wide alert and case management systems. This should provide a value-add to anti-financial crime solutions and afford increased capabilities for detection and prevention.

Today we are witnessing organizations moving away from having both fraud and AML departments separately located, having realized that by having a cohesive financial crime team ensures more accurate results which leads to lower costs. The industry has realized that the systems that have been acquired for these functions are similar and fulfil many common requirements, such as detecting unusual behaviour.

I would argue that by using a fully scalable IT environment fulfilling both the requirements for detecting fraud and AML not only provides an economy of scale but would also allow institutions to take a “cross border” view to detecting illicit financial crime activities.

Notwithstanding the fact we now have access to new technologies we need to accept that organized and trans-national criminals are just as adaptive and will continue to take advantage of weak financial systems. In 2019 we witnessed governments around the world finally recognizing the need to regulate crypto currencies and virtual assets but not before we also witnessed

massive use by organized crime. Governments are making efforts to develop a global regulatory framework. What needs to be recognized is that the effectiveness of any regulation is predicated on whether the rules remain current with the rapid pace of technology.

Ransomware and cyber security attacks will continue to make headlines this year as sadly criminals and state actors have realized many large corporations, health facilities and government departments are willing to pay the ransom in order to get access to their data. In my view this has only served to motivate the criminal element and state actors to become more aggressive which demands that institutions recognize they need to go the extra mile when it comes to securing their data. Those that are complacent will undoubtedly become tomorrow's news.

Small to medium size government and public-sector entities, have been the target of choice for ransomware attacks in 2019 and will continue for 2020. Cyber-criminals have proven through past attacks that these through past attacks that these entities are less secure, more vulnerable, and more likely to pay out, especially when compared with larger government or private sector organizations.

Sadly, information security has not been taken as seriously as the environment demands for many public sector entities as has been shown by the number of hospitals and municipalities that have been subject of ransom attacks and the unfortunate need to pay out large sums of money to these criminals which serves to motivate the continuance of the activity and adds to their illicit coffers. The majority of these attacks have resulted from the social engineering techniques of phishing and spear phishing.

The financial impact of ransomware on governments and utility organizations has been proven to be extremely costly. In 2019 Baltimore government systems were attacked and the projected cost to thwart the attack was over $18 million, whereas the demand was only $77 thousand. The pay or get breached model in ransomware which is not being seen, where attackers threaten to publicly release your data if you don't meet their ransom demand, means organizations have to consider contingency plans for ransomware and data breaches at the same time.

As we adopt the greater use of mobile devices, 2020 will be the year that will witness increased targeting as we migrate more business processes and payment options to mobile. As we continue to become more reliant on mobile devices,we have afforded cyber criminals a new playing field in which to practice their craft. Far too many organizations have adopted the bring-your-own device which has exposed back doors into the organization's tech infrastructure resulting in data exposure. From cybercrime to nation-state cyber espionage, the threat of mobile device targeting is something that can affect anyone, from individual consumers up to Fortune 500 companies.

What we are witnessing is the use of app impersonation involving popular apps which result in broad malware distribution through the downloading process of thousands of users. The malware can be created to target specific banking and social media applications to take users' personal and financial information, and are commonly sold and developed on criminal forums and marketplaces. 2019 revealed that even Google Play and Apple App store had approved apps that contained malicious software.

We saw that 2019, was the year that mobile devices were proven key avenues for cyber espionage campaigns. Commercial spyware, which is becoming far more sophisticated, has been used by governments to monitor, detect, and prevent terrorism and crime for almost a decade. The WhatsApp was victim of exploitation in 2019 which involved the Pegasus spyware and was used as an initial attack vector which infected a plethora of phones.

Over my years of experience and having had the opportunity to review many different organizations it is clear that we still need to understand that the know your customer and know your customer's customer is still the weakest element in fighting financial crime. Yes, there are still barriers as governments have failed to regulate the need that beneficial ownership of numbered companies must be made available, whether in-country or off-shore.

The failure of organizations to implement enhance due diligence measures for financial crime, inclusive of cyber crime continues to play into the hands of terrorist and organized crime. This will mean that firms will need to move beyond simple remediation to adopting aligned and efficient approaches that exceed our compliance approaches and demands the need to focus on enhanced processes to ensure they are able to thwart the continue barrage of financial and cyber crime actors.

To quote John F. Kennedy: "There are risks and costs to a program of action-but they are far less than the long range cost of comfortable inaction."

Garry W.G. Clement, CAMS, CFCS, CFE

Financial Crime Prevention expert and advocate, Garry Clement joined the Association of Certified Financial Crime Specialists team in 2016 as the Executive Vice President and helped lead strategic changes until April 2018. Garry also maintained his consulting and investigative firm, Clement Advisory Group which he founded in 2009. Garry has over 34 years of financial crime experience.

Garry Clement relies on his 34 years of policing experience, having worked in roles as the National Director for the RCMP's Proceeds of Crime Program, working as an investigator and undercover operator in some of the highest organized crime levels throughout Canada. During Garry's policing career, he received numerous awards and commendations for his investigative abilities, inclusive of recognitions from the US Drug Enforcement Administration and the CIA.

In a 2017 ReBoot, an independent strategic marketing and consulting company, was contracted by Barbri and during the process they identified Garry as being highly recognized throughout the world as a leader in financial crime and anti-money laundering. In 2018 Garry was named the Fraud and White Collar Advisor 2018.

Garry has authored and/or co-authored several papers in national and international publications on organized crime and money laundering. Garry's experiences make him an excellent, highly entertaining speaker for conferences, seminars and training programs.

Garry began working in the anti-money laundering arena in 1983, and was one of the pioneers of the RCMP's proceeds of crime program. Since 2007 he has worked as a consultant with a focus on financial crime and independent money laundering reviews for the money service business industry, credit unions and securities firms. These roles provided Garry with experience in the areas of organized crime, drug trafficking, international smuggling and money laundering.

Garry understands the importance of keeping up-to-date on certifications. He is a member of the following organizations, having exceeded their required certification standards:

- Association of Certified Fraud Examiners - 1991
- Association of Certified Money Laundering Experts - 2003
- Association of Certified Financial Crime Specialists - 2015

Garry has provided training in Hong Kong, Ireland, Panama, Columbia, United Kingdom, Jamaica, Antigua, United States, and every province in Canada. He is frequently asked to speak at events organized by ACAMS, ACFE, ACFCS, Osgoode Law School, Canadian Institute, the Canadian MSB Association, KAW Management Services. CRCA and CuSource.

Garry is widely sought after for cyber-crime, compliance, anti-money laundering and fraud prevention speaking engagements. Recent comments from participants at a financial crime prevention seminar included: "Garry Clement was an excellent speaker, very dynamic and knowledgeable," and "Garry was a recognized speaker for the RCMP, and has an educational training relationship with Seneca College, having written and taught the MSB compliance course."

Garry has been accepted by the courts in Canada to provide expert opinion evidence in the following areas:

- Money Laundering
- Organized Crime
- Drug Trafficking Organizations
- Contraband smuggling organizations
- Immigration hearings related to applicants to Canada

Garry sits on the Board of Advisors for:

- Mindbridge Analytics Inc.
- Bullion Management Group

GLOBAL INSIGHTS



"When working with company reported data, researchers tend to apply a time lag to the latest data as an approximation for the Point-In-Time financials. This lag will be based on the filling timeliness required by the capital market regulator in that country."



SANNYA JOSEPH
Quantitative Specialist, Investment Management

PAUL FRUIN
Lead, Investment Management

S&P Global
Market Intelligence

S&P Global Market Intelligence

POINT-IN-TIME - WHAT'S THE FUSS ABOUT?

This paper follows on from the research' Point-In-Time vs. Lagged Fundamentals, This time i(t')s different?' written by Ernest Breitschwerdt, Quantamental Research, and examines the relevance of Point-In-Time financial data for Asian markets, especially when used for quantitative or research purposes.

This paper looks at the timing lag between a fiscal period end and the date when the financials for that period are reported, as well as the effects of restatements, and how both of these factors make it more difficult to mimic Point-In-Time data using customized lags.

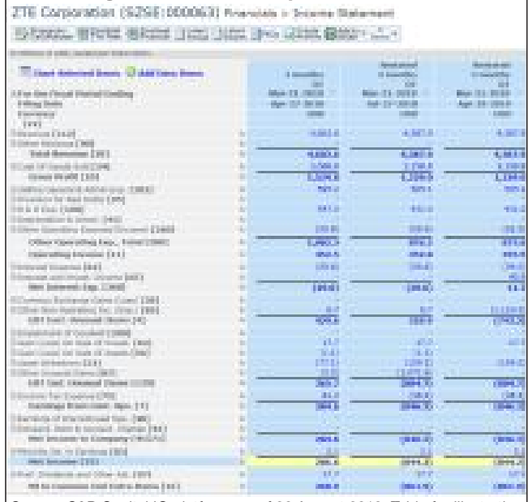
When working with company reported data, researchers tend to apply a time lag to the latest data as an approximation for the Point-In-Time financials. This lag will be based on the filling timeliness required by the capital market regulator in that country. This paper looks at a restatement of one of ZTE Corporation's fiscal quarters as an example, and how this practice of lagging data is a poor proxy for actual point in time data.

We also examine the reason for restatements and the frequency, as well as whether financial ratios calculated using original vs. restated values can result in significantly different values, especially when applied to quantitative techniques.

On 27 April 2018, China's second largest telecommunications equipment producer ZTE Corporation (ZTE) reported a net profit of RMB 1,687,020 thousand for the first quarter (Q1)of 2018.[1] Three months later on27 July 2018, they restated their Q1 2018 filings to now report a net profit(loss) of RMB (5,407,237) thousand, a decrease of 394%.[2] This restatement was prompted by the US$1 billion global settlement that ZTE had entered into with the U.S. Government with regards to its historical conduct relating to U.S. export controls and sanctions.[3] Other metrics such as revenue, operating income, and total equity also changed resulting in significant changes in the net income margin, return on equity (ROE) and gross profit growth.

The table and chart below display the standarized[4] financial line items (in USD) and ratios taken from the S&P Capital IQ platform. These numbers were derived based on the original and the updated quarterly report that ZTE published with the China Securities Regulatory Commission (CSRC).

Table 1: Standardized Income Statement line items for ZTE for Q1 2018 based on the original filings and the subsequent restatement



Source: S&P Capital IQ platform, as of 26 August 2019. Table for illustrative purposes only.

Chart 1: Financial ratios for ZTE for Q1 2018 based on the original fillings and the subsequent restatement



Source: S&P Global Market Intelligence Capital IQ Premium Financials, as of 26 August 2019. Chart for illustrative purposes only.

What are restatements and reclassifications?
For various reasons (divestitures, mergers, accounting changes etc.), companies may reclassify or restate their historical results from their previous filings for the same period. For

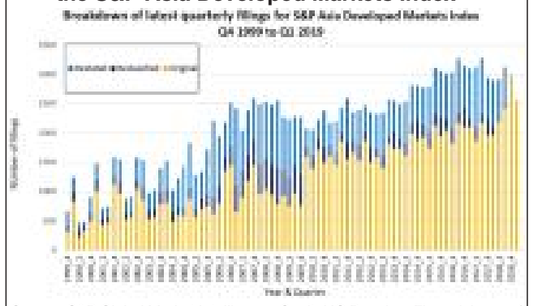
example, a financial filing for a given period can be restated for the same filing period at a later date, i.e., a quarterly filing for Q1 2017 can be restated in Q3 2017.Restatements and reclassifications for a previously reported period can have any of the following 3 characteristics:

1. No Change -This is when a fiscal period appears again in a later filling by the company but remains unchanged from the original or are sometimes not comparable due to different reporting currencies.
2. Reclassification - Some line items are different from the original, but bottom line results such as net income or retained earnings are the same.
3. Restatements - Results are fundamentally different from the original i.e., net income, retained earnings, total assets or cash from operations. Restatements usually happen after an acquisition, divestiture, merger or accounting change.

How common are restatements?

The chart below depicts the number of filings for quarterly periods for the S&P Asia DevelopedMarkets Index from 1999 to 2019. The colored bars indicate whether the latest results for the quarters were unchanged from the original filing, reclassified or restated. As evidenced by the below graph, the number of periods with financials that ultimately changed from the original is significant. Also noteworthy is the restatement behaviour during the 2008-2009 financial period, almost 40% of the companies ended up restating the financials for these fiscal quarters in a future filling.

Chart 2: Original filings vs restated filings for the S&P Asia Developed Markets Index*



Source: S&P Global Market Intelligence Capital IQ Premium Financials, as of 26 August 2019. Chart for illustrative purposes only.
*Contains data for all quarters and not just Q2 and Q4. Labels for Q3 and Q4 have been ommited due to space constraints.

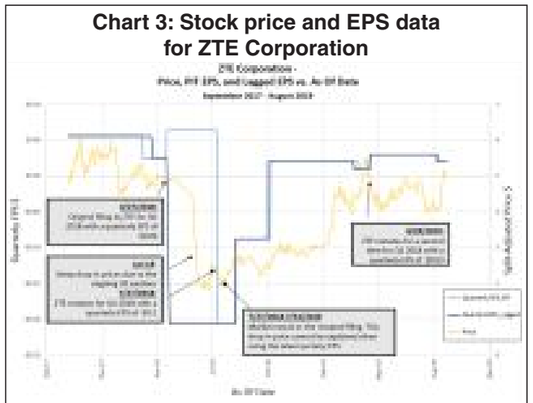
What is the effect of restatements?

A restatement can cause changes in common ratios such as ROE, gross margin, net income margin, and the Altman Z-score. In the ZTE example illustrated above, the reported ROE changed from +16% to -51.6%. For the three months between the original filing and the first restatement, investors were trading on ZTE based on much more favorable results for the quarter than what was later reported.

The below chart plots ZTE's stock price and the quarterly net diluted earnings per share (EPS) using two versions of fundamental data, S&P Global Market Intelligence Capital IQ Premium Financials (which are point in time in nature) (CIQ PIT) vs. latest financials. CIQ PIT calculates the EPS using the earnings data based on the numbers that were reported by the company as of that point in time, and the latest financials calculates the EPS using the final earnings data that the company has reported for the quarter, including restatements. We lagged the latest restated data to reflect how the latest restated figures are typically used as a substitute for CIQ PIT. The lag is an approximation of the quarterly filing timelines. For public companies listed on the Shangai stock exchange, the quarterly reports should be filed with the China Securities Regulatory Commission within one month of the quarter end while semiannual and annual reports need to be filled within two and four months respectively.

In July 2018 ZTE restated its Q1 2018 financials to report a net loss. As is evidenced by the graph there was a drop in the stock price[5] from 23 July to 30July 2018. CIQ PIT EPS experienced a drastic drop, unlike the latest EPS figure which remained unchanged between June 2018 to August 2018. Hence CIQ PIT EPS is a better measure to explain the stock price movement as compared to latest EPS.

Chart 3: Stock price and EPS data for ZTE Corporation

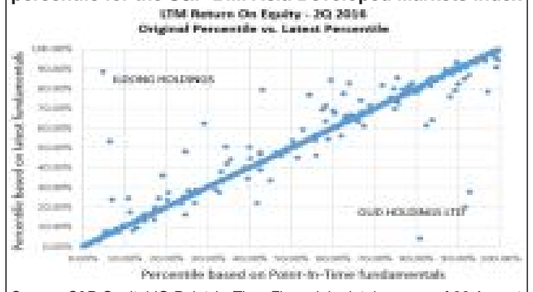


Source: S&P Global Market Intelligence Capital IQ Premium Financials, as of 26 August 2019. Chart for illustrative purposes only.

Are original vs. restated values noticeably different?

In the chart below, the ROE, calculated using the original filings vs the latest filings, is plotted for the companies in the S&P BMI Asia Developed Markets Index. Each dot represents a company's last twelve month ROE based on their Q2 2016 filing. The x-axis represents the percentile rank of the stock based on originally reported results, and the y-axis represents the percentile rank of the stock based on the latest reported results including restatements, if any. Ranks that remained unchanged lie along the 45 degree diagonal. The further away the dots are from the 45 degree line, the greater the magnitude of the change in restatements for that company.

Chart 4:Original filing percentile vs Restated filing percentile for the S&P BMI Asia Developed Markets index



Source: S&P Capital IQ Point-In-Time Financials database, as of 26 August 2019. Chart for illustrative purposes only.

For example, the outlier point in the top left corner represents Ildong Holdings. Its original ROE ranked it in the top ~5% of companies in the index, and may have triggered investors to buy. However, it's restated ROE is much worse in the 88th percentile, which may have caused investors to avoid or sell it. Whereas on the other side of the chart, GUD Holdings' originally reported ROE placed it at the 92th percentile, but this changed to the 27th percentile after restatement.

This is a significant point when it comes to backtesting for screens or quantitative models, as the originally reported values for a period can be significantly different from the latest reported values. Artificial lags (e.g. 1/2/4 months for China, 2/3 months for the U.S.) is an approximation used by many researchers when PIT data is not available. However, such approximation does not provide the same quality that reflects reality that PIT data provides.

Conclusion

Using the charts above we have illustrated that restatements in the Asia Developed Market Index are significant and that these restatements can be materially different from the original filing. Sometimes companies can restate financials even years after the fiscal period is over. Solvency metrics like the Piotroski F Score, Benish M score and Altman Z-score use multiple line items from a company's financial reports and, when used in quantitative analysis, can introduce significant look ahead bias.

The Altman Z-score comprises of six financial line items including Revenue, EBIT, Working Capital, Total Debt, Retained Earnings, and Total Assets. Over the period 2000-2018 in the S&P Asia Developed Market Index, approximately 16% of the reported quarters had a measurable change in at least one of the Altman Z-score items between original and latest filings. When any one of the items change, look ahead bias can be introduced into a backtest that isn't using Point-In-Time data.

Actual performance results may differ from the results of a hypothetical backtest[6], and look ahead bias is one of the reasons why. If research and testing is based on restated data with look ahead bias, it brings the research further from reality. It may inflate the backtest results and may lead to miscalibration of the model runs compared to actual production. If underlying assumption is that the market had access to restated data before it was reported, assumption is over optimistic. While no backtest perfectly matches reality, the purpose of using PIT data is to make backtests come closer to how a strategy performs in real-life.

Sannya Joseph, Quantitative Specialist, Investment Management, S&P Global Market Intelligence.

As a Quantitative Specialist at S&P Global Market Intelligence she focuses on the Investment Management segment specifically equities. She began her career with S&P in 2009 as part of the technology division that focuses on developing these quantitative products. She has an Engineering degree in Information technology and a certification in financial risk and Investment Management from Indian Institute of Management - Calcutta. She is currently a CFA Level 3 candidate.

Paul Fruin, Lead, Investment Management, S&P Global Market Intelligence.

As a product manager at S&P Global Market Intelligence, he focuses on data feeds within our Data Management Solutions group. Prior to his current role Paul was a product lead within Quantamental Solutions, and also worked as a quantitative researcher focusing on discovering alpha signals within our data and publishing findings. He began his career at S&P in 2008 as an applications consultant, helping quantitative clients understand and use our data effectively. In his early career he worked as an engineer for Honeywell and Texas Instruments. He attended Cornell University where he completed his bachelor's and master's degrees in Mechanical & Aerospace Engineering. Paul completed his MBA at Babson College and is a CFA charter holder.

1. Source: ZTE Corporation 2018 First Quarterly Report, Filedwith the China Securities and Regulatory Commission, 27 April 2018,https://res-www.zte.com.cn/mediares/zte/Investor/ 20180427/E3.pdf, accessed 18 October 2019.
2. Source: ZTE Corporation 2018 First Quarterly Report (Updated Version), Filed with the China Securities and Regulatory Commission, 27 June 2018,https://res-www.zte.com.cn/ mediares/zte/Investor/20180727/E3.pdf, accessed 18 October 2019.
3. Source: U.S. Mission China, 8 June, 2018, "Secretary Ross Announces $1.4 Billion ZTE Settlement", U.S. Embassy & Consulates in China, https://china.usembassy-china.org.cn/ secretary-ross-announces-1-4-billion-zte-settlement/, accessed 18 October 2019.
4. Source: S&P Global Market Intelligence Standardization Methodology, http://support.standardandpoors.com/xpressfeed/images/stories/CIQ-Compustat/Xpressfeed/data-resources/ financials/premium_financials/ciq_financials_methodology.pdf, accessed 18 October 2019.
5. Source: "763-HK: ZTE Corp - Stock Price, Quote and News." CNBC, CNBC, 13 November 2017, www.cnbc.com/quotes/?symbol=763-HK
6. Back tested returns do not represent actual trading results and were constructed with the benefit of hindsight. Returns do not include payments of any sales charges, fees or expenses as such costs would lower performance. Past performance is not a guarantee of future results.

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The Road Ahead



NILESH SHAH

Managing Director

KOTAK MAHINDRA ASSET MANAGEMENT COMPANY LTD.

CAPITAL MARKET OUTLOOK

Union Budget 2021 is behind us. While there are many things to say about the budget, the core takeaway for us is the realistic growth estimate of 10% (nominal) and a fiscal deficit of 3.5% for FY21. The core thrust of this budget was to improve the ease of doing business.

To achieve that goal, government is trying to improve contract enforcement. If the government is able to execute this on ground, it would vastly increase the business optimism. Improved contract enforcement reduces credit risk premium at the last mile level. Overall, the contract enforcement brings in a degree of business predictability and improve project deliveries all through the system. The government is also taking steps to remove the potential criminal liability upon businessmen for civil matters. This will go a greatly distance to improve the business sentiment.

The government is also planning to bring in tax charter. This charter will introduce clear rights and obligations for the taxpayer and protect the businessman from tax harassment. Thus, the businessman may have more time to concentrate on his business than on his lawyer.

There is a view that the current economic slowdown needs to be stemmed by building up consumption demand. That, in our view is not the core problem. The core problem is that of credit crunch.

Change in receipts and spends of Budgets on a 5 year block (2014-19) over (2009-13)

Source: Kotak institutional equities, Budget document

Having said that, the government has, through multiple means, provided ample spending stimulus. For instance, the average GST rate has come down from 14.4% to 11.8%. It means that the foregone tax revenue of around Rs 2 lakh cr was left in the hands of the consumer. Likewise, the telecom price competition has left a value of around Rs 1 lakh cr in hands of the consumer. Similarly, the farm loan waiver saw nearly Rs 4 lakh cr being provided by way of relief to the rural sector. While that didn't give direct income, atleast debt and EMI burden was reduced. Concurrently, the outflow from 7th pay commission saw an income growth of around Rs 1 lakh cr in hands of government employees and pensioners.

Also, let's not forget, the competition between all e-commerce companies sees them incur a total loss of around Rs 50 thousand cr annually. This also is an indirect income in the hands of consumer. Finally, and more importantly, GST, which is a consumption tax, continues to remain buoyant despite occasional slide. This means consumption undercurrent remains strong. So there is ample demand stimulus within the economy.

The core issue, as mentioned earlier is that of credit growth. The trust deficit in the aftermath of IL&FS default has seen the credit to NBFC sectors dry-up. This, along with the slow credit offtake in the NPA riddled PSU banking sectors - saw the overall credit supply in the economy dryup. In the year 2019, the incremental credit supply to commercial sector dropped by around Rs 5.16 lakh cr. And it is the slow lending pace that needs to pick up.

The government has tried to address this issue over multiple fronts. Over 5 years, it has pumped in around US$ 45 bn to recapitalize and reviving the PSU banking sector. It has foot the bill of nearly US$ 57 bn in farm loan waivers. This waiver has relieved the farmers as well as banks from being locked in a mutual tussle. At that, the government has raised resources to invest around US$ 225 bn in infrastructure sector over five years period.

Despite all this, the government's market borrowing programme has largely been restrained. To achieve this, the government has tapped into small savings and divestments.

The divestment target of Rs 2.1 lakh cr is tall. It is more than double the target we have achieved in the past. If, the strategic divestment of BPCL; and the maiden IPO of LIC is done in FY21, then this divestment number looks achievable.

This budget has also tried to address the high trade deficit by imposing duties on many import items. At the same time, it has also provided strong incentives for manufacturing investments in India.

On the taxation front, the key initiative, other than the tax charter, was the cancellation of dividend distribution tax and making it taxable in the hands of the investors. By doing so, the FPIs would be freed from double-taxation whammy since their tax liability would now only be with respect to their home country laws. Finance minister also proposed new lower tax slabs for individual taxpayers who are willing to forgo the existing deductions and exemptions available. This way, a choice of two tax regimes has been provided. One for those who prefer more cash-in-hand; and other for those who are seeking to invest for the long term.

From the capital markets viewpoint, the FPI bond limit has been increased from 9% to 15%. While the limit is still under-utilized, but with the possible inclusion of India in the MSCI global bond indices, we may see these appetites getting well tapped. Government is in advanced stages of issuing specific securities that will not have limits to FPI investments. This way, sizeable passive funds may find their way into Indian debt market.

> Overall, the contract enforcement brings in a degree of business predictability and improve project deliveries all through the system. The government is also taking steps to remove the potential criminal liability upon businessmen for civil matters. This will go a greatly distance to improve the business sentiment.

The budget has removed the tax that the sovereign wealth funds may have had to pay for their investment in infrastructure companies. This will invite long term and strategic capital in our infrastructure sector. Likewise, there is a proposal to launch an ETF for government securities in the same line as Bond ETF. This will provide convenient access for retail investors, pension funds and long term investors.

RBI, in tandem with the Union government, adapted an effective and innovative approach by way of introducing LTRO (Long term repo operations). Here RBI will conduct auction of 1 year and 3 year tenures at repo rate. This will create a surge of liquidity in the market and provide lending momentum to the banks. With RBI keeping the possibility of rate cuts open in the future and with ample liquidity in the system, yields at the shorter end of the yield curve are likely to fall further.

For long term equity mutual fund investors, the small and midcap segment still continues to provide opportunities for investment. It would be relevant to point out that, we have been highlighting since last six months that the mid & smallcaps are attractively valued; and that bounce-back seems imminent. We thank the distributors who aligned accordingly and were thus able to provide their investors the full benefit of the current rally in small and midcaps. Debt fund investors can consider prudently managed credit risk funds to tap into the wide spreads that are available currently in high quality bonds. Short term investors can look at parking their funds in Money market / corporate bond segment and utilize SWP method to meet their cash flow requirements.

Nilesh Shah is the Managing Director (MD) of Kotak Mahindra Asset Management Co Ltd. He has over 25 years of experience in capital markets and market related investments, having managed funds across equity, fixed income securities and real estate for local and global investors. In his previous assignments, he has held leadership roles with Axis Capital, ICICI Prudential Asset Management , Franklin Templeton and ICICI securities. He is the recipient of the inaugural Business Standard Fund Manager of the year award - Debt in 2004. He was part of the team that received the best fund house of the year award at Franklin Templeton as well as at ICICI Prudential. He is a gold medalist chartered accountant and a merit ranking cost accountant. His hobbies include reading and educating investors on financial planning. He has co-authored book on Financial Planning called "A Direct Take"

The Road Ahead



RAMKRISHNA KASHELKAR

Communication Strategist

RELIANCE INDUSTRIES LIMITED

FACING THE FOURTH INDUSTRIAL REVOLUTION

Since time immemorial mankind has imagined of a world where tools and equipment operate intelligently on their own in perfect cooperation to complete the desired tasks. In medieval times this was practically the description of magic. You just wave a wand and the pots start cleaning themselves or broom starts cleaning the house. In the 20th century it got more sophisticated and became part of the science fiction with mechanics, hydraulics, electronics and robotics.

But now in the 21st century, autonomous and intelligent multi-tasking systems are becoming a reality. In line with the ubiquitous smartphones, 'Smart' cars, 'Smart' homes and'Smart' factories have already become a reality and'Smart' cities are being planned. And this is merely a single facet of the fourth industrial revolution. With the digital revolution - that encompasses rapid strides in communications, data storage, computing, sensors, robotics, 3D printing and many other technologies - the world is set to change much more in next 20 years than it changed in last 200 years.

Companies across the world are facing many challenges today - be it a slowing global economy, the threat of coronavirus, negative interest rates, geopolitical tensions, or the trade wars and so on. However, most of these challenges are cyclical in nature - they would turn around with passage of time. On the other hand, every company in the world is facing a big structural challenge today, one which arguably supersedes everything else - that of technology-led 'Disruption'.

As we all know, the digital technology is taking over everything around us. The physical and digital worlds are converging and that has driven the pace of change to never-before-seen levels. Global companies, which are pioneering tools and building blocks of the digital technology are already ruling the world - 7 out of top 10 world's most valuable corporates are tech companies representing over $6 trillion of cumulative value - more than two-times India's GDP.

The traditional economic theory speaks of four factors of production - land, labour, capital, and entrepreneurship. Typically, the entrepreneur faced all the risks and the others earned steady pre-determined returns for their contribution. Today, 'technology' has emerged as the fifth factor of production, which is set to redefine the way other factors function and interact.

These technological advance-ments are leading us into an age of disruption. What is a disruption? Disruption is about creating a new way of life, new products and services that will make the old way of life completely obsolete.

The smartphone is a prime example of this phenomenon, which not just transformed the then prevailing mobile phone industry, but also transformed industries like music and entertainment, photography and even newspaper. Uber is likewise transforming personal transport, while Airbnb has transformed hospitality.

Disruption in any industry is caused by convergence of

different technologies, which bring about massive product innovation and lead to emergence of novel business models. When that happens, the traditional way of doing things gives way to new.

Disruption can happen from below, where you have a product that is inferior relative to the mainstream market, but because it improves at a faster rate than the rest it pierces and disrupts the market from below. The solar energy, personal computers, the web publishing can be examples of this. Here the incumbents may get time to participate in the disruption - for example, coal power producers investing in solar power.

On the other hand, when you get a vastly superior, innovative, but pricey, product to what is available in the market that creates a new market. Industry experts inevitably disregard such new products for lack of demand, only to be confounded later by their runaway success. Such innovative products cause a disruption from above. Apple's iPod in 2001 and iPhone in 2007 are examples of such disruptions. Here the incumbents are relegated to lower market segments and have to struggle to enter top ranks.

There is a third type of disruption, which is called big-bang disruption. Big-bang disruption is when new products come out and on day one itself they are cheaper, faster, better, more convenient and more customizable than the mainstream market. Naturally, they leave the incumbents with little chance to react. Jio's launch of pan-India 4G high-speed wireless broadband network with Voice over LTE (VoLTE) technology in 2016 was one such moment- the data costs in India crashed from Rs 400-500 per GB to Rs 15-20 and voice calling became free.

Unfortunately, it is often not easy to foresee these disruptions coming, even for the industry experts and smart organizations. That is the reason we have numerous examples like Kodak, Nokia or Blackberry, which were all global industry leaders at one point, but failed to anticipate the disruption onslaught.

> The Companies across the world are facing many challenges today - be it a slowing global economy, the threat of coronavirus, negative interest rates, geopolitical tensions, or the trade wars and so on. However, most of these challenges are cyclical in nature - they would turn around with passage of time.

These big bang disruptions get difficult to anticipate because of the way its key elements behave. Firstly, the technology cost curves, or how quickly the technologies improve on the same cost basis. Moore's Law is the best known cost curve, which says on the same dollar basis computing technology improves by about 2x every two years, which is a CAGR of 41%. This means over 20 years it improves by a thousand times. In other words, our smartphone costing $600 today is equivalent of a $600,000 computer just 20 years ago. Every technology has a cost curve - a rate at which its cost continues to fall steadily year after year - making it viable for mass adoption at some point.

Secondly, with passage of time, technologies don't just become more cost-effective, they also tend to converge or combine with each other to create novel effects. It is this 'technology convergence' that makes new products and new business models possible. Today, the 'Open source' technology development is making it quite difficult to spot how and where convergences will take place.

The third important element in technological disruption is that the mass adoption of a new technology happens in 'S' curves, and not linear. It may take weeks, years, or even decades before the technology hits the inflection point. But when it is crossed, the technology grows exponentially within a short period covering 80-90% of the market. Today, disruptions are likely to happen in much shorter time, because technologies are being adopted even more quickly.

The fourth industrial revolution is witnessing a rapid development of a wide array of technologies - sensors, artificial intelligence, solar batteries, 3D printing, robotics, blockchain and so on and in different combinations they can disrupt different industries over next decade as the above mentioned three elements play out.

As these changes take effect over the next decade, every single aspect of our lives - the way we earn our living, we entertain, interact or conduct our businesses - will undergo a massive transformation. Supported by millions and billions of sensors, ubiquitous high-speed connectivity, AI-led cloud computing, and Big Data analytics machines are becoming capable of performing a wide range of jobs that have long been human domains.

In this transformation, data about things may actually be more valuable than the things themselves. Data is the new oil in this era. Companies such as Google or Facebook command massive valuations mainly because they have trillions of GBs of data on people and their behaviors or preferences, and not because of the search or social networking services they provide free of cost.

As innovative business models come up and old way of doing things gets sidetracked, coping with this change is the most pertinent challenge for every company, every entrepreneur. Surely, there is no quick-fix. To succeed in the new age, we need to adapt ourselves to the scorching pace of innovation, learn to collaborate on scale and form innovative partnerships. We have to shift from a system of time-bound education to a mode of continuous learning. Learn-Unlearn-Relearn should be our mantra to continuously reinvent ourselves. We have to constantly keep challenging the status-quo, because if we don't, someone else will.

Is this even possible - one might ask, hence, it is necessary to give an example. There is one Indian company, which has imbibed these traits in its DNA long back, which has helped it become India's top company. It is Reliance Industries Limited - India's largest company today on every important parameter - be it net profit, or revenues, market capitalization, or capital investment in India, merchandise exports, or CSR outreach, or contribution to the exchequer. The journey of Reliance from a start-up to India's leading and most admired company within just five decades is a shining example of how an enterprise can handle disruptions.

This stupendous success became possible as Reliance chose to disrupt itself time and again. In its first decade, Reliance was a textile company. Even as it reached the leading position in textiles, the second decade saw it move into petrochemicals. By the time it became India's top petro-chemicals company, it was ready to enter petroleum refining and marketing. In the last decade RIL set up global scale businesses in organized retail and digital services from scratch.

> India's entrepreneurial power at the grassroots is enormous. Every small business and entrepreneur in India has the potential to become Dhirubhai Ambani or Bill Gates. And that is the power that differentiates India from the rest of the world," said Mukesh Ambani, Chairman & Managing Director, Reliance Industries

The history shows that the company chose never to settle, but to keep scaling newer peaks. Now the company is in the process of introducing advanced digital technologies, such as blockchain, Edge Computing, and Cloud Computing, in Indiaat a massive scale ahead ofthe rest of the world.It is also transforming relationships into partnerships across the entire spectrum of Indian and global companies to form a new business coalition capable of creating exponential value for Indian economy, Indian people, customers, employees as well as share owners.

Technology has been the greatest enabler in the history of civilization. As the fourth industrial revolution unfolds, India holds great promise to manage these disruptions well and prosper. India has already entered top 5 among global economies. Over the next decade, India will enter top 3. India is today a very young nation. Young and tech-savvy Indians are not happy being incrementally innovative, but they want to be truly disruptive.

As Mukesh Ambani, Chairman & Managing Director, Reliance Industries, recently mentioned, "India's entrepreneurial power at the grassroots is enormous. Every small business and entrepreneur in India has the potential to become Dhirubhai Ambani or Bill Gates. And that is the power that differentiates India from the rest of the world." With technological enablement and adoption, these entrepreneurs can really propel India's growth story in this age of disruption.

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The Road Ahead



NAVNEET MUNOT

CIO

SBI FUNDS MANAGEMENT PRIVATE LIMITED

UNION BUDGET AND MARKET OUTLOOK

This was amongst the toughest backdrops in recent years for the Finance Minister to present her budget against. With a severe growth slowdown arguably requiring a strong fiscal response on one hand and with sluggish revenue collections constraining government's fiscal on the other, the challenge was evident. Consequently, the Finance Minister ended up using the FRBM deviation of 50bps on fiscal deficit for both the current and the next year.

Overall, the government appears to have chosen to consolidate on the reforms of the past few years. The budget continued with the thrust on infrastructure, agri and rural economy, social welfare, improvement in ease of living, simplification on taxes and leveraging technology for better governance. Import substitution was another thrust area. It was also heartening to see the focus on sustainability through measures on environment and climate change. Similarly, the continued focus on cooperative federalism is positive.

The government has sought to keep capital expenditure growth high to support the economy. While the total expenditure is budgeted to grow at 12.7% in FY21, capex is budgeted to increase by 18%, higher than the 13% growth in the FY20. The revenue receipts are slated to grow by 9% in FY21. Gross tax revenues are expected to grow by 12% in FY21, higher than the 4% growth in the previous year, on expectations of higher buoyancy and better compliance. The divestment target at Rs 2.1 trillion while ambitious will need support from strategic sales including the proposed LIC of India IPO. The latter is indeed a bold move as is the intent on IDBI stake sale.

More could have been done for the real estate sector beyond increasing the window of tax exemptions by a year given its employment generation potential and the multiplier impact it has on the economy. At a time when RBI has stayed accommodative by cutting rates and keeping liquidity ample, the ground level feedback points to continued liquidity tightness. While NBFCs and PSU banks having significantly slowed on lending and private banks staying very selective has played a role, the tightness in real estate market has been a major driver through reduced money circulation. Addressing issues in the real estate sector are vital to address this macro and micro level disconnect and in turn help revive loan growth. Hopefully, the government will pay attention to the needs of the sector going forward.

As expected, the government's thrust on the infrastructure sector continued. While the Rs 100 trillion outlay is a good start, we need to find sustainable ways of funding infra in the country. Both private sector capex and the public-private-partnership model on infra has faced challenges. In this context, full tax exemption to Sovereign Wealth Funds for investments in

Infrastructure and other notified sectors along with a single investment clearance window were significant positives.

Overall, the focus on expenditure must shift from outlay to outcome. There is a huge scope for rationalization on subsidies. Oil is a classic example. As recent as in FY13, petroleum subsidy outlay was ~Rs. 1 trillion which has been rationalized to nearly one third. On the other hand, the excise collection on fuel has increased to ~ Rs. 2.1 trillion. At the same time LPG penetration has improved substantially and at a much lower cost. Similarly, we need to rationalize other subsidies most notably food and fertilizer which stand at a massive Rs 2.6 trillion already. With schemes like PM-KISAN already operative, providing direct benefit to farmers and the poorest may be a smarter alternative to these subsidies.

The new regime on personal taxes with a choice of lower rates but without exemptions, while aimed at boosting consumption has negative implications for savings. Over time as resources become available, tax rates must be reduced further as history suggests that Laffer curve should work and ensure better collections. Companies have been exempted from paying Dividend Distribution Tax, while dividends will be taxed at individual level. Most importantly, the tax regime needs predictability.

Renewed commitment on strategic divestments and asset monetization is welcome. Finally, to rev up revenues, we must get growth and tax buoyancy back. Tax-to-GDP ratio hasn't improved in last 10-years, hence, government expenditure as % of GDP has fallen from 16% in FY10 to 13% now. This points to the need of an immediate growth revival to bring back tax buoyancy and hence muster enough resources to continue with the distribution agenda around social causes.

> Overall, the government appears to have chosen to consolidate on the reforms of the past few years. The budget continued with the thrust on infrastructure, agri and rural economy, social welfare, improvement in ease of living, simplification on taxes and leveraging technology for better governance.

Similarly, we have now reached a tricky situation where the gap between interest rates and nominal economic growth has shrunk substantially. This means that the growth in output is barely enough to meet the cost of servicing debt. This if allowed to persist will undo the efforts of last several years on deleveraging and stall the improvement in debt ratios. Bottomline is that growth needs to be revived at any cost.

With an intent to deepen the corporate bond market, the FPI limit has been raised to 15% from 9% currently. Given the new normal in the banking system, promoting alternative sources of funding such as the bond market, securitization market and alternative funds market is vital. The RBI, even as it may not have space on rates, must play its part too through bold and creative steps to bring down spreads.

Bond yields should stay rangebound with slight upward bias. Even as rising inflation and higher government borrowing are concerning, we expect the RBI to stay accommodative given the output gap. The accommodation may not take the shape of direct rate cuts but could be on the lines of the recent Operation Twist. Overall, while inflation and the fiscal-savings dynamic should keep a floor on yields, RBI's monetary accommodation and global environment should provide a ceiling.

On equities, in the absence of market friendly measures in the budget and given the cautious global environment owing to the spread of Coronavirus, markets could stay volatile in the near-term. However, eventually markets should move back to focusing on corporate earnings. In our view, significant easing in financial conditions, both locally and globally, improving prospects for the rural economy given increase in food prices and better acreage, and the various measures taken by the government so far should bring about an improvement in both economic activity and corporate earnings going forward.

The equity market rally became broad-based in January. Small caps significantly outperformed large caps with the Nifty Small Cap 100 rising 6.7% for the month versus a 1.7% fall in the Nifty. Similarly, Nifty Mid Cap 100 rose 5.3% outperforming the Nifty by 7%. This is in line with our view of the past few months- the extreme polarization that the market had witnessed in favour of selective large caps should continue to reverse as a revival in economic activity and corporate profits materializes going ahead.

Overall, the union budget is an important event that everyone keenly watches. However, one must not lose sight of the fact that total expenditure by states is nearly 40% higher than the Centre. Moreover, on capital expenditure, states are nearly twice the Centre. Businesses must do their bit as well. Eventually, all stakeholders need to rise to the occasion in making sure we reach our potential as a country. A decade ago, following a period of strong growth, most global pundits had predicted 10% real GDP growth for India on a sustainable basis. And at 4-5% growth now, problems appear aplenty but given our favourable demographics and with the significant reforms of the past few years such as GST, Insolvency code, and the thrust on formalization and digitalization of the economy, we have a solid framework to build on.

We are the last bastion of high growth for the world in foreseeable future and must not lose sight of this aspiration. The government should continue supporting by reducing friction whether it is through administrative and judicial reforms or using technology for better governance and last mile delivery, or simplification on taxes. The focus must be on execution, execution and execution, and the $5 trillion goal shall transform from an aspiration into reality.

(Mutual funds' investments are subject to market risks, read all scheme related documents carefully.)

Navneet Munot joined SBI Funds Management as Chief Investment Officer in December 2008. He has over 24 years of rich experience in Financial Markets. In his role, Navneet is responsible for overseeing investments worth over USD 30 billion across various asset classes in mutual fund and segregated accounts. In his previous assignment, he was the Executive Director & Head - multi - strategy boutique with Morgan Stanley Investment Management.

Prior to joining Morgan Stanley Investment Management, he has worked as Chief Investment Officer - Fixed Income and Hybrid Funds at Birla Sun Life Mutual Fund and worked in various areas such as fixed income, equities and foreign exchange.

He is on the board of Indian association of Investment Professional (India society of CFA charter holders with over 2000 members). His articles on matters related to financial markets have widely been published.

He is a postgraduate in Accountancy and Business Statistics and a qualified Chartered Accountant. He is also a Charter Holder of the CFA Institute and CAIA Institute. He has also done FRM.



The Road Ahead



SAUGATA BHATTACHARYA

Chief Economist

AXIS BANK

CHARTING A PATH TOWARDS A $5 TRILLION ECONOMY: POLICY MEASURES AND STRUCTURAL REFORMS

Prime Minister Modi's vision for India becoming a $ 5 trillion economy by 2024 is inspiring, and will still be achievable with a lot of effort and a bit of luck. It will certainly help in spelling out clearly the various alternative paths towards this goal and articulate the strategies and implementation required.

First, a description of the current economic environment. India's FY20 growth is officially estimated to have slowed to 5% from 6.1% the year before, due to combination of various factors, both domestic and overseas. The Government had implemented major structural reforms over the last five years and the result, even while laying a foundation for sustained growth, resulting in moderating demand. Many of these same changes will emerge as positive growth drivers over the next 2 - 3 years.

The growth slowdown looks to have bottomed out in the 3rd quarter of FY20 and some green shoots of recovery are already visible. The question is, how soon can growth climb back up to the 8% levels which will be required to take India to a $5 trillion economy by 2025. Current indications are that growth recovery will be modest in FY21, with growth in a 5.5 - 6% range, depending on the outcome of a host of factors and risks, both global and domestic. What are the policy responses required to accelerate growth? This requires a deeper look at the characteristics of India's slowdown.

The extent of India's growth deceleration was largely unexpected; IMF marked down growth from 7% in June 2019 to 4.8% in January 2020. No other country's prospects, certainly not China's, has been lowered to this extent.

3 aspects of the current slowdown mark it as different from previous episodes. First, multiple engines of growth have synchronously decelerated - consumption, investment, exports and sporadically, Govt spending - compared to earlier when one or some of these drivers was still functioning. Second, this is more a demand led slowdown, versus earlier, which tended to originate with a supply shock, whether oil or foreign capital or other. Third, some paradoxically, the trigger for this episode was a financial shock - NBFC lending - which tipped the building weaknesses into a deep deceleration.

The proximate cause of the extent of the slowdown was a squeeze in the flow of credit - from all sources, domestic and offshore, banks, corporate bonds, external borrowings, etc - to companies in India. A telling statistic released by RBI shows that compared to Rs 8 lakh crores of loans provided to borrowers during April - September 2018, this fell to Rs 90,000 crs in the 6 months of 2019! Bank credit has continued to very weak into 2020.

One of the significant questions for policymakers in devising appropriate stimulus measures is whether this deceleration has more cyclical than structural characteristics. If the former, an aggressive use of monetary and fiscal countercyclical policies is likely to yield results. If not, then the wait is likely to be longer and will involve more sector specific de-bottlenecking initiatives.

While there is certainly a cyclical component in the manufacturing segment, there are signs of deeper structural constraints. The Twin Balance Sheet problems of excessive debt buildup by corporates and banks (also saddled with bad loans) has now expanded to almost quintuple dimensions, encompassing the Government, households and NBFCs as well.

Overlaid on these structural impediments has been a weakening of confidence, both consumer, investor and corporate, the result of multiple causes, prominent being employment uncertainty. The signature theme of the Economic Survey was that "the invisible hand of the market supported by the hand of trust". Fostering trust was also repeatedly emphasized in the Budget speech, and is increasingly evident in the ongoing initiatives of the Government for increasing transparency and simplification of processes.

Given this, measures to revive growth have to be coordinated across multiple policy authorities using various counter-cyclical levers. This brings us back to the instrument - objective targeting mentioned earlier. To target the demand aspect of the slowdown, the Government had started with a series of measures as early as September 2019, including the radical cutting of corporate tax rates for both existing and new manufacturing companies. This was followed up by measures to revive the segments which were core to the slowdown: NBFCs from the funding side and the real estate sector and the MSME segment. A Partial Credit Guarantee mechanism to backstop part of bank credit to NBFCs is in place. A large fund to provide financing for last mile completion of stick residential real estate projects has also provided some initial approvals.

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The Budget did the best it could to stimulate the economy given the paucity of resources in the Govt exchequer. The statement of account wove many strands of intent and vision around this, which, read in its entirety and by connecting interlocking dots, framed a strategy of moving towards a $5 trillion economy over the next 5 years.

As noted above, the basic impediment for a quick and strong revival is a persisting risk aversion in banks for taking on unwarranted risk, as well as weak demand for credit given low Capacity Utilisation levels, weakening the case for fresh capex. Despite constraints in the ability to further cut the policy repo rate in the face of high inflation, RBI rolled out various innovative, unconventional measures comprising of targeted CRR cuts, Long Term Repo Operations, selective prudential relaxations and controlled regulatory forbearance to try to incentivize credit for the sectors mentioned above. Together with the large surplus system liquidity, which is likely to further lower interest costs for borrowers, this will likely lead to higher credit flows.

Implementation, as always, will be key to achieving the $5 trillion goal. India's macro fundamentals remain strong. This is evident in foreign investor confidence in India's future prospects, leading to surging inflows of foreign capital. The arena for the next set of reforms and actions for sustained growth is at the state level: agriculture, land, electricity, even labour. The Budget acknowledges this, particularly on raising farm productivity. Just a little extra effort by authorities, particularly in coordination with state governments, will result in a sustained growth via digitalization and entrepreneurship in which India has established a global footprint.

Views are personal.

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He is currently a member of the Ministry of Housing and Urban Affairs Technical Advisory Committee on Estimating City Level GDP. He was a member of the RBI's Working Group on Operating Procedures of Monetary Policy.

He is a member of the Confederation of Indian Industry (CII) National EXIM Committee and of CII Western Region Trade and Investment Committee.

He was named a Chevening Fellow of the UK Government in 2017.

The Road Ahead



ANURAG BANSAL

Whole Time Director

SMC GLOBAL SECURITIES LTD.

INDIAN BROKING INDUSTRY REPORT

As the famous saying goes "There is risk in everything, so be prepared for the ups and downs"

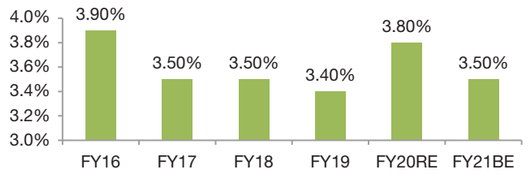
The Indian Equity markets have been quite polarized over the last six-eight quarters where the Benchmark Indices have hit new highs backed by stocks with high weightage, but the broader participation from across the sectors is still missing. Part of the above bipolar nature of the market can be attributed to the change in definition of large cap, mid cap and small cap stocks/funds by SEBI and also the poor performance and lack of liquidity in the midsized companies and their stocks in turn. While investor's preference shifted from mid and small cap stocks partly due this, an equal blame should be put on the lack of earnings growth and corporate governance issues in many midsized companies. However, when one looks at the NIFTY's and SENSEX's one year's return of 12% and 15% it has largely compensated the fall in mid cap stocks. While large caps have been in limelight for last two years, the valuation gap between large caps and mid and small caps has widened a lot and hence there is an expectation that in 2020, in addition to large caps, the ignored midsized companies might be in focus and lot of wealth can be generated beyond the index stocks. The combined weight of top five companies is ~39% and that of top 10 companies is ~60% in NIFTY, and hence there is a high probability that in the coming quarters investors will find more value in stocks beyond the Indices.

What is interesting this time around is that the markets are inching towards new highs when the economy is going through a severe slow down. We feel that, part of the optimism is due to the expected reforms that the Govt might bring in and one of the biggest factor is the liquidity both in the overseas market and back home with domestic institutions. Various Govt agencies as well as rating agencies have projected FY20 GDP growth to be 5%, in FY21 some pick up is expected and GDP growth can improve to 6-6.5%. Given the lower base a 6% growth is achievable. However, Private Capex is still missing and a large part of the capex is likely to come from Govt's side.

One thing which could be a catalyst is that back home now banks are sitting with surplus liquidity and NBFCs are also able to raise money though at a relatively higher rate, which should give some fillip to the consumer oriented sectors which had been exhibiting weakness. One should not underestimate the potential and importance of the MSME sector and its contribution to the GDP, which is largely funded by the NBFCs. And hence with better liquidity in the hands of NBFC now we feel the small and micro sized companies in this sector will get a sigh of relief.

Govt's ability to spend remains limited due to lower tax growth, however higher divestment might result in Fiscal slippages remaining under control: In FY20 the Govt's spending capability got restricted due to lower tax collections from GST. In FY21 the Govt has budgeted tax growth of only 8.7%, however higher non tax revenue is likely to compensate the lower tax growth. Market had already factored in a higher fiscal deficit in FY20 and deviation of 50 bps was not taken so negatively. The Govt intends to exit FY20 with a fiscal deficit of 3.8%, but has set an ambitious target of 3.5% for FY21. However, ability to raise money via non tax resources will help lower dependence on market borrowings and hence 10 year G-Sec yield is likely to remain under check, which is good news both for the bond as well as equity markets. Higher inflation still remains a concern, as further monetary easing will be a function of how fast inflation is brought under control. The RBI has also been injecting liquidity via OMOs and has maintained that there is still some scope for rate cut if data suggests.

Fiscal Deficit as % of GDP

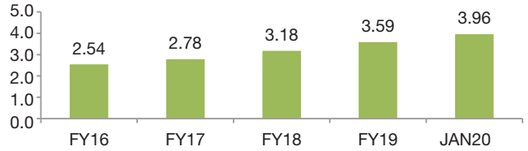


Source: Govt Of India, Budget Document

Increasing trend in number of Demat accounts indicates better days ahead for the broking industry:
The broking industry has become quite competitive; however, ability to adopt technology and diversifying into related financial services sector is supporting the revenues of broking companies now. Inflows into MF industry have been quite robust and the incremental growth in demat accounts is suggesting that broking industry is likely to see steady business growth going ahead, however margins will be a function of the ability to cross sell other financial products. Despite diversification the fortune of the broking industry is still dependent on the overall trading volumes and with earnings recovery the trading volumes of exchanges and broking companies are likely to pick up momentum.

Both CDSL as well as NSDL have been registering strong growth in the new demat accounts opening and combined both the depositories have now ~ 4 crores demat accounts. However, retail clients in India do operate through multiple demat accounts and even if we assume 50% duplication in that case the number of unique accounts would be ~2 crores, which means a penetration level of less than 2%, when we see the overall population of India. What is interesting is that nearly half of the unique demat accounts have been opened in the last 7-8 years. As the economy matures, the interest rates will eventually come down further and equities will become even more attractive compared to what it is now.

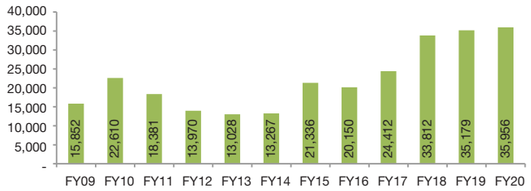
Number Of Demat Accounts in Crores (CDSL+ NSDL)



Sources: CDSL, NSDL, *Data as on respective financial years end

Trading Volumes of Indian Stock Exchanges have been steady, led by both foreign investors as well as higher participation from domestic institutions and retail investors: The daily cash turnover of Indian exchanges has remained steady and is on an uptrend. There has been a ~1.7x rise in the daily trading volume in the cash segment over FY15 to FY20 till date. The average daily volume in cash segments of NSE and BSE combined has remained steady at Rs 35,956cr YTD vs Rs 35,179cr in FY19. Going by the trend of the last one decade it is fair to assume that the volumes of Indian exchanges will keep on going up backed by higher equity participation via direct equity as well as Mutual Funds mode. Also new listings of large companies which are in pipelines will also aid to the trading volumes going ahead.

Average Daily Turnover -Rs Cr (BSE +NSE)



Sources: NSE, BSE * FY20 data is for till 31st Jan 2020

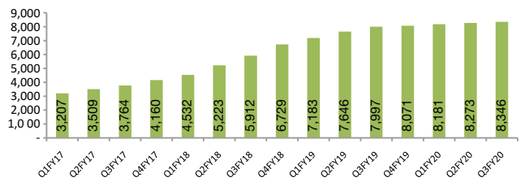
SIP inflows continue to be one of driving force behind Indian equities: SIP has emerged as a time tested model for retail investors over the last few years. While investing directly into equities, many people might have some resistance due to the volatility in the equity markets in general; however the superior returns generated by SIP in the longer run has been the driving factor behind increasing flows via the SIP mode.

The MF Industry received Rs 43,919 cr inflow via SIP in FY17, implying an average monthly run rate of Rs

3,660 cr. During FY18 there was an impressive 53% YoY growth in total SIP inflows at Rs 67,190 cr, with average monthly In flow of ~Rs 5,600 cr. The volatility in Indian markets impacted the initial inflows in FY19, while the initial monthly inflows were not very encouraging, it picked up pace and generated total inflows of Rs 92,693 cr, with a higher average monthly inflows of Rs ~7,724 cr. Though there is not much of growth so far in FY20 with average monthly inflows of Rs 8,293 cr, we have already seen inflows of Rs 82,930 cr YTD.

In FY21 the Govt has budgeted tax growth of only 8.7%, however higher non tax revenue is likely to compensate the lower tax growth. Market had already factored in a higher fiscal deficitin FY20 and deviation of 50 bps was not taken so negatively. The Govt intends to exit FY20 with a fiscal deficit of 3.8%, but has set an ambitious target of 3.5% for FY21.

Average Monthly SIP Inflows (Rs crs)

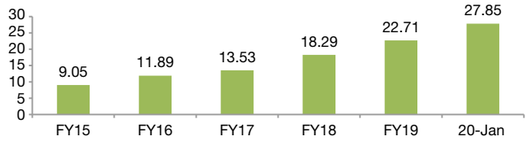


Sources: AMFI

To see the real benefit of SIP and returns generated from it takes time and Individual Investors in India have acknowledged the benefits of Systematic Investing and have tested the benefit of it over the longer period of time. The change in tax structure recently in budget brought in fear if there will be a drop in SIP inflows, however given the ease at which SIP can be done as well return generated, there is no reason why it should come down materially, rather we feel the inflows via SIP to go up significantly over the next few years as more and more retail investors participate. While gold has generated strong returns over the last one year, it has time and again been proved that equities can outperform gold over the longer horizon.

Mutual Fund industry in India has been gaining strength day by day: The inflows towards domestic Mutual Fund Industry moderated a bit post the IL&FS crisis as few debt funds faced problems, however, the inflows into equities mutual funds bounced back after some moderation. FY19 ended with 11.4% growth in AUM while in the 10 months so far till January, 2020 the industry has grown by 17% YTD. The last 5 years growth has been even impressive having delivered a 21% CAGR over FY15 till Jan 2020, growing from Rs 10.82 lakh cr to Rs 27.85 lakh cr. At the end of 31st Jan 2020, the AUM of the industry stood at Rs 27.85 lakh cr compared to Rs 23.79 lakh cr in March FY19. This 2.26x growth in AUM over the last 5 years shows the faith of Indian investors in the Indian Equities. The FD interest rates in banks have come down, and hence in this environment equities certainly become more attractive compared to other instruments. Indians do have a high savings habit, however large part of the savings used to flow into the non-financial instruments, however given the lower returns delivered by others vis a vis Mutual Funds one can expect the growth rate to accelerate from here on.

Average Asset Under Management (Rs Lakh Cr)

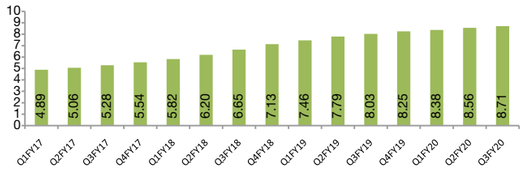


Sources: AMFI

Incremental additions of MF folios have moderated in the last few quarters; nevertheless absolute number is in a clear uptrend: In the last three quarters i.e. from 1st April 2019 till 31st Dec 2019, the industry has witnessed incremental additions of ~46 lakhs new folios, during the same period in the last year the additions were to the tune of 90 lakhs new folios. So the incremental additions of new folios have moderated for sure. But when we look at the absolute figures it stood at 8.71 cr folios at the end of Q3FY20 compared to 8.25 cr in Q4FY19, and has grown by only 5.6% YTD, compared to 15.7% growth in FY19 and 28.7% YoY growth in FY18. So the incremental addition of Mutual Fund folios number has moderated in the last few quarters, however when one looks at the overall figure for the last 15 quarters, it has grown by 1.8x from a level of 4.89 cr folios to 8.71 cr folios and this is quite impressive. Incremental additions to the folio numbers will be a function of market performance and as mentioned earlier higher retail

participation will ensure accelerated growth in both folio numbers and AUM going ahead.

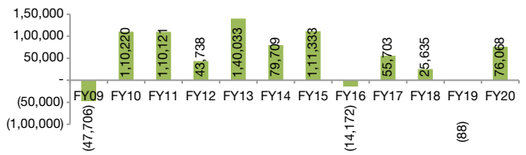
No. of MF folios in Crores



Sources: AMFI

FPI inflows have bounced back strongly in FY20 so far, after negative numbers in FY19: Foreign investors' had turned cautious on Indian markets and hence there were limited inflows to Indian equities, in fact the numbers remained volatile during the previous year and FY19 ended with net sell of Rs 88 cr. However, FY20 has been quite strong so far with FPIs pouring in strong money into Indian equities, despite the slowdown in the Indian economy. The higher participation largely indicates the eagerness of foreign investors to take risk in Indian markets as they clearly believe that the current slowdown in economy is temporary in nature and structurally Indian markets have long ways to go. The last 10 years FPI inflows to Indian equities has been staggering Rs 7.4 lakhs cr.

FPI Inflows (Rs Crores)



Sources: NSDL, CDSL

Despite sharp rally Indian equities are likely to be in flavor for both FPIs as well as domestic institutions: Indian markets have seen quite sharp run up in the last one year with NIFTY rising by 12%. Corporate earnings in India have not picked up yet as some of the heavy weight sectors like Banks and NBFC had been struggling for quite some time. However, with large part of the troubled corporates being recognized as NPAs now the earnings of banks should bounce back and NIFTY's and SENSEX's earnings is also likely to pick up materially. On a trailing basis NIFTY's P/E at 23.3x looks quite high, however one year forward P/E of 21.5x and two year forward P/E 17.5x makes India markets still attractive from global perspective.

Index name	Current P/E	Est P/E	CY19 Return%
NIKKEI	20.2x	18.1x	20.90%
KOSPI	19.6x	12.2x	9.30%
HANG SENG	10.8x	10.6x	12.20%
NIFTY *	23.3x	21.5x	11.50%
S&P	24.9x	22.5x	28.70%
NASDAQ	37.2x	26.3x	34.60%
DOW JONES	20.9x	18.6x	22.20%
BOVESPA	18.1x	13.7x	27.10%
TAIEX	18.5x	15.7x	25.60%

As market guru Warren Buffet says "The stock market is designed to transfer money from the active to the patient".This applies perfectly to the Indian markets, as those who have remained invested over the last ten years have seen the potential which India offers vis a vis other emerging markets.

The broking industry in India will continue to see an upward trend in business backed by higher incremental demat accounts and continuous inflows into equity markets via the MF route. As mentioned earlier the demat account penetration is still very low when compared to the total population base. Further FPIs have remained upbeat on the Indian equities backed by the potential of scope and scalability of various Indian corporates.

"In many ways, The stock market is like the weather in that if you don't like the current conditions all you have to do is wait a while" so hoping for better days ahead. I look forward for wonderful years for the broking industry going ahead.

Anurag Bansal, aged 44 years, is a rank holder and fellow member of the Institute of Chartered Accountants of India (ICAI) and a member of Institute of Cost and Works Accountants of India (ICWAI) and possesses extensive experience of over 23 years in Capital Markets. He is whole time director of SMC Global Securities Limited which along with its group companies offers a diverse range of financial services including institutional and retail brokerage of equity, derivatives, commodities, currency, online trading, depository services, distribution of IPOs, mutual funds, fixed deposits & bonds, insurance broking (life and general), clearing services, margin financing, investment banking, portfolio management, wealth advisory, real estate advisory and research.

The Road Ahead



CHANDAN TAPARIA

VP - Derivatives & Technical Analyst, Equity Research

MOTILAL OSWAL

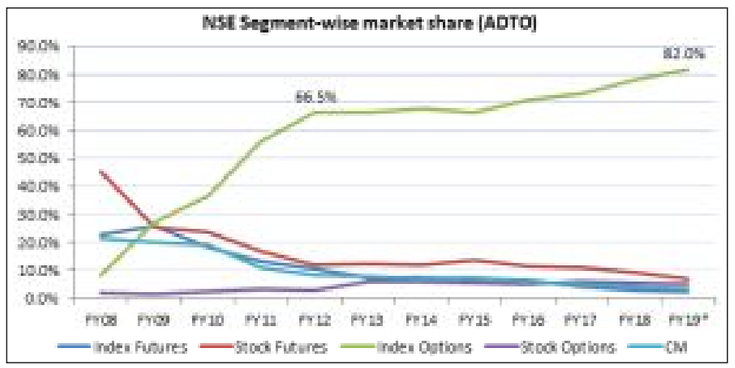
INDIA DERIVATIVES MARKET AND OPPORTUNITIES IN OPTIONS

Indian Derivatives market is growing rapidly from last couple of years because of its multi fold advantages like higher liquidity, less transaction cost, flexibility, hedging, arbitrage, user friendly, customized strategies, limited or calculated risk and rising knowledge with better understanding among the market participants. Traders are now a days quite familiar with many well-known and low risk option strategy and also understand the effect and benefit of time decay.

Understanding and using the option and hedging activities can give an extra edge in such kind of upcoming scenario to mitigate the risk and to increase the profitability.

Index Options gaining significant share of overall business

In Indian derivatives market, options of Nifty, Bank Nifty and BSE Sensex contributes around 80-85% of total turnover. Now a days, weekly expiry of Bank Nifty and monthly expiry of Nifty attracts huge participations because of its inbuilt features. As per the exchange daily turnover data, suggests that the contribution of Index options in the exchange's overall business has increased significantly over the last few years.In FY18 the share of Index options in the average daily turnover stood at 78% which has increase to ~82 to 90% in FY19 and FY20so far.



Use of Options Trading to benefit from the current volatile market

Option market provides a huge opportunity to option buyers to play the volatility of expiry day by just paying a small premium amount and that is the only reason that Bank Nifty expiry makes everyone participate in it. While Option seller gets a better return on investment by selling near the money or out of the money strikes with the aim to get benefit from higher time decay with higher probability. All kinds of Option traders are involved here and most of the strategies can be used in a single day starting from naked buy, sell to all the spreads, butterfly, condor, covered call and puts based on expected market view.

Day by day jobber, arbitragers, hedger including delta hedging are also contributes to the biggest role in its trading depth and liquidity. Involvement of Algos and system trading is going to make this field more wide and opportunistic.

Option buyers and sellers both are enjoying with option premium, market volatility and that is the reason that volumes on weekly expiry of Bank Nifty goes to Rs. 15 to 20 Lakh Cr. in a single day. Beauty of Option strategy is that it can be applied for any kind of expected market move and most suitable for all profile of clients.

One can trade in options even expecting a range bound or volatile move. Options trading has two big advantages over almost every other form of trading. One is the ability to generate profits when you predict an underlying assets will be relatively stable in price, and the second that one expect a volatile move.

Options can also be used in volatile market through various option strategies. These are designed specifically to make profits from stocks or index that are likely to experience a dramatic price movement, without having to predict in which direction that price movement will be.

It's a question of long debate that one should buy an option or sell an option and the right answer is - its depends on profile, market set up, scenario or a better reply is to be with both (use of strategy rather than only option buying or selling) or by turning your trade to spread of combining different strikes.

Vanilla Option Buyers / Option Seller or something else: It's a normal question in the mind of every new person who wants to be in this wide market. As per the probability, Option seller makes money more time than option buyer but risk reward ratio always favours to buyer of that option whether its Call or Put.

Advantages of Option strategies specially applying with Straddle and Strangle is the only option which allow traders to play the volatile move even without knowing the direction of the market.

There are also many well-known dual directional strategies, because they can make profits from price movements in either direction. The basic principle of using them is that you combine multiple positions that have unlimited potential profits but limited losses so that one will make a profit providing the underlying security moves far in enough in one direction or the other.

> In Indian derivatives market, options of Nifty, Bank Nifty and BSE Sensex contributes around 80-85% of total turnover. Now a days, weekly expiry of Bank Nifty and monthly expiry of Nifty attracts huge participations because of its inbuilt features.

We have noticed and have been suggesting many high probable option strategy like Call Ladder Spread, Put Ladder Spread, Bull Spread, Bear Spread, Butterfly or Condor. Many times a 10 points risk of option strategy have made 7 to 8 times return in Bank Nifty weekly expiry.

- Volatile options trading Strategies includes Long Straddle and Long strangle.
- Range bound strategies includes short straddles, short strangles, iron condor, etc.
- Selling options in volatile scenarios can be very tempting but it is extremely important to be hedged, otherwise, the risk could be much higher if someone is wrong.
- Four legged options strategies such as Iron Condor and Iron butterfly gives a perfect hedge. It is a good strategy to enter these strategies across different stocks or index with low correlation so that one have a higher probability of success.
- A covered call is a very effective and yet simple strategy that works very well. In fact, it is designed to make the maximum amount of money in moderately bullish to volatile markets where the price of the underlying is within a tight range and the options premiums are high. Covered Call is the only main strategy which can reduce the cost of holding position or allow a person to get the lower break even points however sometimes reward could be capped.

A common misunderstanding is that option trading is a tough task and one has to know about its Greeks like Delta, Gamma, Theta, Vega, Rho and second line of Greeks and all the lengthy formula of Black-Scholes and Binomial Models. But in reality understanding of basic concept and practice with few live strategies would make traders to get a strong grip on this overwhelmed subject.

Chandan Taparia, MBA (Finance) and PGPBM - (Finance & Marketing) from Jagan Institute of Management Studies - Jaipur, with more than 10 years of experience in Equity research. Chandan joined Motilal Oswal Securities Ltd in February 2017 and is managing Technical and Derivatives research as Vice President.

In the past he has worked with Anand Rathi Shares & Stocks Brokers as a Derivatives & Technical Head - Retail Research segment.

He has conducted several seminars across the country and visiting to many well-known Management Schools to share his experience. He has also worked on many Derivatives product and customized option strategies.

He is regular guest on all the Business Channels like CNBC TV18, ET Now, BTVi, Zee Business etc in their prime time shows.

He has been contributing to media stories regularly in the leading publications and portal like Economic Times, Business Standard, Hindu, Mint, Financial Express, Dainik Bhaskar, Divya Bhaskar, Financial Chronicle, Moneycontrol.com, ET Online.com, BS online and other leading media houses.

The Road Ahead



PANKAJ CHITLANGIA

CEO

R SQUARE ADVIZORS

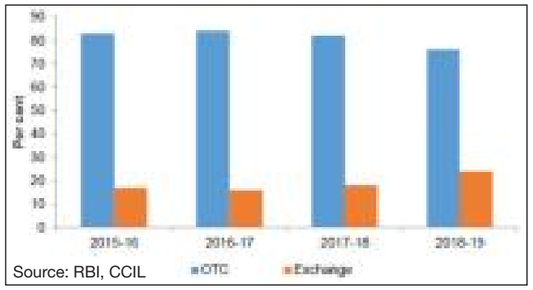
CURRENCY SEGMENT: IDEAS THAT CAN DEEPEN AND BROADEN THE MARKET PARTICIPATION

Introduction

RBI circular no 5 dated 6th August 2008 noted "In the context of liberalisation of the capital accounts, as also continued development of the financial markets, it is felt that wider hedging opportunities could enhance the flexibility for the residents to manage their currency risk dynamically. International experiences have also established that the exchange traded currency futures contracts facilitate efficient price discovery, enable better counterparty credit risk management, wider participation, trading of standardized product, reduce transaction costs, etc. ...."

This marked the beginning of a new era of exchange traded currency futures, which over the time has gone through its own ups and down and has come a long way since then with launch of options in USDINR and extended to other pairs, launch of cross Rupee and cross currency pairs and weekly expiry options contracts. This has brought in lot of transparency and depth in currency markets.

However, there is more scope to fully exploit the benefits of exchange traded currency derivatives. Currently as we see from the chart below, OTC far outweighs exchange in terms of volumes. Herein are few suggestions which can help in bringing more depth and increase the participation in the currency and interest rate segment on exchanges.



Source: RBI, CCIL

Spot Currency Delivery Window

Though we have seen increase in transparency and cost effectiveness in hedging through exchange, what certainly can bring in last mile connectivity is delivery of spot currency over exchange. Introducing delivery of currency over exchange will enhance transparency in dealing in spot market for MSMEs which has been eluding them for decades.

Currently, corporate would request their banker for a quote to convert dollars into rupee or otherwise without the preciseknowledge of current prices or their movements. Allowing spot delivery over exchange would make the dealings more transparent and ensure cost-effective conversion of currencies.

However, unlike stocks, delivery of currency would require checks and balances as it would be more

complex than equity or commodity specially since FEMA and RBI regulations must be complied with. Few of such checks would be:

1. Only eligible participant, i.e. participant who has genuine transaction, can place order over spot delivery window. This can be ensured by mandatory submission of documents by the end of day, failing which a penalty can be imposed.
2. Settlement mechanism: All settlement through a single clearing agent which can be CCIL. Clients while placing orders would be required to mention bank through which flow will be processed. On actual trade, intimation to the bank can be given to settle the trade on behalf of the client through clearing agent.

To effectively implement this, joint coordination of SEBI, RBI and AD Category I Banks would be vital.

Suggestion to changes in Trade Annulment Policy

Current trade annulment policy is heavily skewed in favor of beneficiary. As current regulations stand, once a trade annulment request is placed,

a. exchange shall request for acceptance of trade annulment to the counterparty after ensuring such claim satisfies conditions as laid down for the purpose
b. One of the conditions the claim needs to pass is that the "Minimum trade value of trade(s) originating from a single order for which annulment request is made should be Rs. 10 lakhs or above (premium value in case of options contracts shall be considered)"
c. Counterparty has complete privilege to reject or accept such request for annulment.
d. Further, irrespective of the outcome, the annulment request fee (which is minimum Rs.1 Lakh) is not refunded.

So, there is clear negative bias against placing such request as it is highly unlikely that the beneficiary will accede to such request.Though technically exchange reserves the right to cancel trades on account of willful misrepresentation, fraud, material mistake and the like, such right is meant to be used extremely cautiously.

A mechanism could be placed akin to Dispute Resolution Committee (DRC) for trades executed on NDS OM system in Bond market. A framework is laid down for identifying which trades can be reversed, and decision is taken by DRC which constitutes market participants. Though it may be difficult to do this mechanism in equity market given its breadth, it isfeasible in currency market given limited underlying and each of these underlying has a deeper OTC markets which creates a strong reference point.

Therefore, a DRC can be established and a framework, defining which trades can be reversed, can include the following:

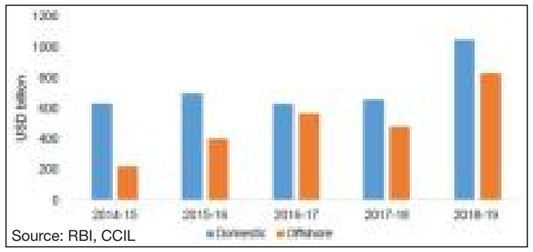
1. Short options trade below the intrinsic value by 0.25% of the futures price
2. Long options trade in in-the-money option by more than0.25% of futures price over fair value calculated by put call parity
3. Big figure mistake in futures

This marked the beginning of a new era of exchange traded currency futures, which over the time has gone through its own ups and down and has come a long way since then with launch of options in USDINR and extended to other pairs, launch of cross Rupee and cross currency pairs and weekly expiry options contracts.

Extension of Time Limit in currency markets

This is probably most discussed and written about recommendations in currency market. Internal Working Group on Comprehensive Review of Market Timings of RBI suggested extending the market hours from current 9:00 a.m. to 5:00 p.m. to 9:00 a.m. to 9:00 p.m. Task Force on Offshore Rupee Markets chaired by Ms. Usha Thorat supported their view in their recommendatory report.

As we can see from the chart below offshore market is almost equally large as onshore market. One of the factors certainly has been the timing of the markets onshore, which is open for 8 hours vis-à-vis offshore which is open almost 24 hours a day.



Source: RBI, CCIL

Recently RBI allowed banks to quote to customers at their discretion, beyond onshore market hours, in line with recommendations by the Usha Thorat's Committee.

It is recommended that the timings on exchange is extended as well in line with recommendations of the IWG. This will open the window of trading through US opening and major economic data flow which not only affects cross currencies directly but also cross Rupee and USD INR indirectly. This will enable participants to manage their overnight risk efficiently and in turn will increase the participation on exchange

Net worth Requirements for Currency Exchange Segment

Currently, trading member net worth requirements for membership in Cash Equity, Equity Derivatives and Commodity Derivatives is Rs.25 lakhs whereas same for Currency Segment is Rs. 1 cr. Given the fact that the risk parameters judged on basis on underlying volatility and contract size, currency market fair better than either equity segment or commodity segment. (please see table below, for example)

	Equity Derivatives	Commodity	Currency
Last 5 Year Daily Volatility (Annualised)	Sensex 13.38%	Gold 11.95%	USDINR 5.50%
Contract Size	Minimum Rs.5 lakhs	Gold Mini ~Rs.4 lakhs	USD INR Rs.0.72 lakhs

Also, currency market has established OTC markets which acts as a reference point and strengthens the case of rationale behavior reducing risks.

It is therefore fair to say that the networth requirements in case of currency derivative segment's membership can be rationalized and brought at par with the networth requirements for membership in cash equity, equity derivatives and commodity derivatives.

Liquidity Enhancement Schemes (LES)

SEBI vide circular CIR/DNPD/5/2011 dated June 02, 2011 and circular CIR/MRD/DP/14/2010 dated February 08, 2013 and revised vide its circular no CIR/MRD/DP/14/2014permitted stock exchanges to introduce liquidity enhancement schemes in the equity derivatives and equity cash segments

Further SEBi vide its circular SEBI/HO/CDMRD/DMP/CIR/P/2018/55 dated March 26, 2018 had issued guidelines for LES in Commodity Derivatives and relaxed it further vide its circular no SEBI/HO/CDMRD/DNPMP/CIR/P/2019/84 dated 26th June 2019.

However, LES was never permitted in currency and interest rate derivatives and therefore currency segment which suffered from illiquidity in many contracts especially cross Rupee and cross currency options, couldn't be given a life support. Recently launched interest rate options is also marred by lack of liquidity and unavailability of a reference market.

LES helps in developing a nascent market and creates not only depth but also breadth in market by attracting new participants. It is therefore suggested that LES permissibility could be extended to currency and interest rate derivatives segment as well.

Capital Gain Treatment

Currently as the taxation laws stand, any trades executed on exchange is not treated as speculative income as per proviso to Section 43(5) of the Income Tax Act. However due to lack of specific provision, interpretation of this proviso is taken as treating this income as business income.

However, any profit or loss incurred during the process of hedging, using currency futures, for any capital import should be allowed to be capitalized, irrespective of the fact that such contract does not result in delivery. A specific proviso to that effect will not only help capitalizing

hedging of currency risks emanating out of a capital transaction but also hedging of equity portfolio in equity derivatives segment.

Position Limit

RBI vide its circular no 18 dated February 26th 2018 revised the position limits for residents and FPIs. The circular read "a. Persons resident in India may take positions (long or short), without having to establish existence of underlying exposure, upto a single limit of USD 100 million equivalent across all currency pairs involving INR, put together, and combined across all exchanges."

SEBI vide its circular no SEBI/HO/MRD/DP/CIR/P/2018/50 dated 15th March 2018 adopted the above circular.

However, exchange has prescribed OI limits for each currency pair separately. Allowing a single limit of USD 100 million equivalent without any sub limits will help markets find more depth. This will also allow

SGL vs DMAT

To end the note, a radical suggestion:

RBI in its notification no 99 dated November 23,2017 noted "As part of the overall strategy of diversifying the investor base for government securities, the Government of India and RBI have been taking various measures to encourage participation of retail investors in G-Sec market including introduction of non-competitive bidding in primary auctions. In continuation of this endeavour, the Union Budget 2016-17 had announced, inter-alia, that RBI will facilitate retail participation in the primary markets through stock exchanges ...." and they allowed non competitive bidding by retail investor through stock exchange

However, though this certainly was a welcome step, retail participation on exchange is far from being significant. A step towards financial market integration as well to increase the retail participation would be integrate SGL account with depository DMAT account or more radically do away with SGL. That will allow Primary Dealers and Bank to quote on exchanges without the need to prior dematerialization of the security.

This along with LES will bring in initial desired liquidity for retail investors as well as institutional clients. Increased liquidity will also incentivize clients and stock brokers to buy G Secs for usage as margin.

SEBI in coordination with RBI has been working admiringly well towards more liberalization of currency and interest rate markets. We hope to see more swifter actions which will deepen and broaden the participation on Indian exchanges.

Pankaj Chitlangia (CA, MBA (IIM Calcutta), FRM) has 16 years of experience in currency, debt and capital markets. He has over the years managed USD 1.5 billion hedge book and one of the largest exchange traded currency options book. He was also recognized by market participants as one of the finest market makers in exchange traded currency options, specially longer dated options. He has also closed securitization deals worth USD 700 million including deals involving credit default swaps and put options.

In his current organization, he manages wealth of his clients, advises stock brokers on market risk management and develops systems for proprietary trading.

He likes sharing knowledge through seminars and corporate trainings. In his leisure time he enjoys organizing social events and reading.



The Road Ahead

G. CHANDRA SHEKHAR

Economist, Senior Editor and Policy Commentator

Global Agribusiness and Commodities Market Specialist

FLICKER OF HOPE, AS UNCERTAINTIES CONTINUE TO STYMIE GLOBAL COMMODITY MARKETS

Despite huge uncertainties and geopolitical instabilities that characterized the year, the global commodity markets ended 2019 on a decently high note, thanks to strong signs of a trade deal between the US-China, two of the world's largest economies as well as accommodative monetary policies pursued by many central banks.

Towards the year-end, Brent was trading at around $ 66 a barrel, copper at $ 6200 a ton and sugar at 13.55 cents a pound, all prices higher than three months earlier. Gold was $ 1479 a troy ounce and Euro-USD 1.1122.

Synchronized loosening of monetary policy and low inflation has created conditions for a gradual pick-up in global growth. That allowed 2020 to start on a cautiously optimistic note even as forecast suggested a small uptick in global growth. The positive correlation between economic growth and commodity consumptions is of course well recognized. Constrained supply, especially in industrial and energy commodities, should also support prices

It is clear, global trade flows have been undergoing directional changes over the last 15-18 months. Whether these changes are temporary or mark a permanent shift only time will tell.

The USD had a stellar run in 2019; and may continue to appreciate, on a limited scale, during 2020 as well as US bond yields tick up. The greenback typically has an inverse relationship with commodity prices. While a firmer dollar usually arrests the upside risks to commodity prices, this year this currency may not prove to be a strong headwind for commodities.

However, the outbreak and rapid spread of novel coronavirus (nCov) seems to have somewhat ebbed the enthusiasm among market participants. There are risks to global trade. Restrictions on travel are expected to dent growth prospects. At the time of writing (February 19) there are indications the spread of the epidemic may be slowing; but how soon the situation will come under total control is hard to tell at this point in time.

Energy market has nearly collapsed with the spread of nCov epidemic given that China is a large importer while supply constraints are seen easing. Downward revision of demand forecast has further enervated the sentiment. The market is currently seen over supplied by well over one million barrels a day in the first and second quarter. Brent is trading at less than $ 60 a barrel and closer to $ 57 a barrel.

The market is likely to improve hopefully in the second half when the epidemic scare and growth concerns abate. As the macroeconomic backdrop improves, a recovery in investor appetite is likely which in turn will put upward pressure on prices. Natural gas prices too have fallen sharply owing to mild winter in the

northern hemisphere combined with plentiful supplies.

As for industrial metals the picture looks constructive. Macro issues will dominate the headlines and overshadow the market. A combination of growth uptick leading to a modest recovery in industrial demand and constrained supplies has the potential to prop base metals higher. Copper is a good candidate in this category. Nickel too will remain a supply-driven story given the persistent deficit.

The aluminium market is well supplied while zinc will move into surplus after years of deficit. Steel and iron ore are likely to face demand challenges especially with subdued activity expected in China's construction sector.

Gold has seen an extraordinary bull run of recent years with prices moving by $ 100 between the second half of December 2019 and first half of January 2020. Risk aversion (falling stock market, declining bond yields) and growth concerns spawned by coronavirus have surely helped the yellow metal regain its somewhat deflated safe haven status.

Even if gold were to breach $ 1600/oz in the days ahead, it is unlikely to sustain there for long as gold supportive factors are fickle. To be sure, physical demand is substantially subdued in two of the world's largest markets - China and India. Import data bear this out. Weaker currencies and exorbitant local prices are seen destroying physical demand at higher price levels.

Once the macro sentiment improves, gold is sure to slump well below $ 1500/oz and move closer to $ 1400/oz, in the second half of the year.

There are risks to global trade. Restrictions on travel are expected to dent growth prospects. At the time of writing (February 19) there are indications the spread of the epidemic may be slowing; but how soon the situation will come under total control is hard to tell at this point in time.

The global agricultural market presents a mixed picture. Any rise in crude oil prices is sure to lift agri-commodities such as corn, sugar, palm oil and rubber. Specifically, wheat and corn are likely to be well supplied in 2020. US-China trade deal will mean higher imports of US-origin soybean and cotton by China. However, in both crops, inventories are fairly large.

After a dream run in the last quarter of 2019 when prices rallied above $ 700 a ton, palm oil collapsed early this calendar year following policy changes in India and reduced purchases by China. There is renewed attempt to boost biodiesel demand; but the target set by Indonesia is too ambitious.

After years of low price environment, world sugar market has come to life with sharp decline in India's production and reduction in global inventory. The market is already beginning to look at next year 2020-21 when output is likely to recover.

Overall, world commodity markets are waiting for some kind of clarity on several uncertainties and are looking for a clear direction. Outbreak of fresh geopolitical hostilities, currency debasement or weather concerns can skewer the market. Key to success in such a situation is continuous monitoring of the market and ability to read advance signals.

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The Road Ahead



MADHAVI ARORA

Lead Economist

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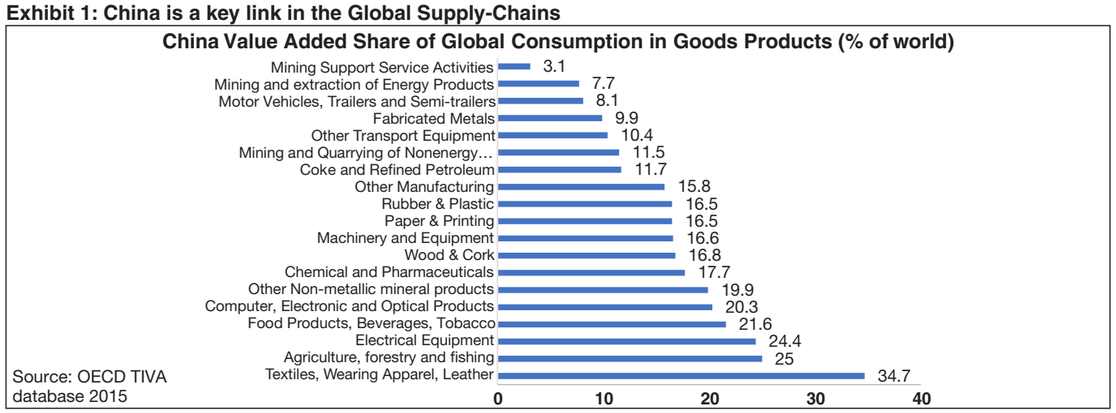
GLOBAL MACRO AND FX OUTLOOK: LET THERE BE LIGHT

The past year was a year of tug-of-war between political conflict and macroeconomic policy for global growth. An intensifying US war on trade and the threat of a no-deal Brexit challenged established norms. However, there were hopes of a calm start to the new year after signing of US-China phase 1 deal, progress in Brexit negotiations and easing geo-political tensions in general. To be fair, global economy did start to show nascent green shoots of recovery with activity data and business confidence improving by end of 4QCY19 - providing a healthy base for the new year to start.

However the hopes were short-lived, with outbreak of Covid-19 breaking the nascent growth momentum, while the mayhem in oil markets has led to another round of financial sector disruption. The scope and impact of Covid-19 is still unknown, the general expectation is that Covid-19 would peak out by end of this quarter. It nonetheless has the potential to have a material albeit temporary disruption for a global economy.

That said, benign comparisons of Covid-19 with SARS are not appropriate as far as global impact is concerned. China's share in world GDP has risen significantly from 10% in 2003 during SARS to 16% in 2019. The OECD's Trade in Value Added (TiVA) database reveals that in 2015, China was among the world's top producers of major intermediate goods. China demand is getting depressed owing to travel restrictions and widespread factory shutdowns are curtailing industrial and other supplies. Prolonged disruptions to Chinese manufacturing production, travel (freedom of movement of workers), and transportation (shipments and delivery of products from abroad), could be crippling to global supply chains and impact global growth materially.

Exhibit 1: China is a key link in the Global Supply-Chains



While incremental new cases from China are looking to taper, the rapid rise in new COVID-19 cases outside of China is worrisome. Even if the outbreak is tackled and these negative demand and supply shocks fade, the near-term damage to China and spillovers to the rest of the world will be significant, especially commodity-producing countries and countries with travel and supply chain and links to China. In a nutshell, the growth downgrades in 1Q could even spill over to 2Q of the calendar year if the pandemic outbreak worsens. However rescue measures in the form of augmented fiscal and monetary policy support targeted on infrastructure, public health and high-end manufacturing etc. would imply recovery in likely in late 2QCY20 in China and other affected nations. It needs to be seen if the recovery would be a V or a U-shaped one.

Exhibit 2: EM Asia has tight trade links with China

EM Asia exports (% GDP)			
	Total exports	Exports to China	
	% GDP	% GDP	% Total exports
Taiwan	55	15.5	28
Malaysia	69	9.3	14
Singapore	39	7.1	18
S. Korea	37	9.3	25
Hong Kong	146	79.2	54
Thailand	52	6.5	13
Philippines	22	2.6	12
Vietnam	96	15.9	17
Indonesia	17	2.3	14
India	12	0.6	5.0

Source: National sources and OECD, Edelweiss Research

Global policy response: Coordinated we stand!

COVID-19 spread has broadened to Developed markets and hence policy responses to the virus have commenced full steam as the pandemic outbreak continues. The Fed has got the ball rolling on the coordinated central banks action. It surprised markets by cutting 50bp with a unanimous vote in early March, well ahead of the scheduled March 18 meeting that had only 25bps priced in. The Fed thus clearly hinted that it would not hesitate to do what it can to contain the financial and economic repercussions of the still-evolving Covid-19 crisis. Markets are already pricing in front loaded 50bps in cuts in the upcoming meeting as well.

This also opens the doors for other central banks to follow suit soon. Since mid-January when the COVID-19 outbreak escalated substantially around 15major central banks have cut rates by early March, with Asia leading the pack and this phenomenon is likely to continue until mid-year. That said, in a pandemic virus there is only as much monetary policy can do to help the real economy and thus fiscal actions need to be propped up as well. Nonetheless, monetary policy actions do help in ensuring that financial sector spill-overs are contained and global volatility subsides in panicked markets. We note unlike the US, the Chinese policy response to Covid-19 has been much more policy-initiative oriented than merely monetary in nature. China managed to contain the infectious spread amid hyper restrictive measures, while monetary policy cuts and liquidity doses were not extraordinary and were merely side shows.

> If equities continue to plummet, we could be moving closer to deeper coordinated central bank rate cuts last seen in 2008. For the very short term, much weaker equities and a much deeper Fed easing cycle are a dollar negative. That said, we think USD remains inherently anti-cyclical and the sharp and potentially protracted hit to global growth in 1HCY20 could help propel the broad USD index to new cycle highs in coming months. In EM space, we recommend a cautious play on EM Asia FX for the time being, while firming stance on near-term broad dollar trajectory against EMFX. In the near term, the risk to further near-term INR weakness is high, especially given its historical seasonal weakness in 2Q of calendar year.

Will Fed cut to sub-zero and will ECB and BoJ have the appetite to deepen the negative territory?

As the developed central banks join the rate cut bandwagon, questions linger as to how much

scope the G-3 majors ECB and BoJ have amid already low and negative rate territory. The Fed seems to have more firepower to do conventional rate cuts, as against ECB and BoJ. However, we don't see Fed entering the negative rates zone like BoJ and ECB and Fed may rather employ forward guidance and balance sheet policies as needed to lower longer-term interest rates once conventional route is exhausted.

Meanwhile, BoJ does not seem too comfortable with negative rates and the flat yield curve and their impact on local banking profitability. That said, during the Lehman shock episode, BoJ was the only one among major central banks that did not synchronize monetary easing and was forced to do that later, on the back of sharp appreciation in JPY. Thus BoJ possibly would like to show its aggressive easing stance this time by at least increasing its ETF purchases in QQE.

On the contrary, it is possible ECB shows some reluctance to front load its stance and may push thefiscal authorities to take the lead in tackling virus-related hits to growth. A rate cut would be a blunt tool for dealing with disruptions that are still likely to be localized and company-specific in Europe. That said, markets are pricing in at least 10bps deposit cut by ECB in March. The ECB may also choose an increased targeted LTROs route/ temporary acceleration in QE purchases instead or beyond the rate cuts as an alternative to cuts.

RBI likely to front load impending cuts

Back home, the RBI has also been on the edge and has been communicating that it will ensure orderly functioning of the financial markets amid Virus fears. But that has done little to subside market panic amid evolving cases of Covid-19 in India. We note other Asian central banks have already been easing on account of expected supply led growth disruptions, while the RBI has been stealth-easing via LTROs, partly as high inflation inhibited conventional easing. However, with Covid-19 fears seeping in, domestic growth worsening further as seen in the 2QFY20 print, fear of financial disruptions amid the banking and NBFC asset quality concerns, the RBI could now front load it's impending rate cuts and could further the LTROs by as early as end March.

G-4 FX: confusing moves but USD still remains inherently anti-cyclical

While dollar index made a resounding come back in mid-January and surged more than 2% by end February, increased expectation of deeper Fed cuts this year has led to some positional selling in USD, helping Euro and JPY to gain. Despite the surprising inter-meeting 50bps cut in early March, markets are still expecting Fed to cut much more.

Exhibit 3: Despite a surprise 50bps cut, markets want more from Fed

FOMC MEETING PROBABILITIES FOR REMAINDER OF CY20			
MEETING DATE	0-25	25-50	50-75
3/18/2020	0.00%	22.80%	77.20%
4/29/2020	16.40%	61.90%	21.80%
6/10/2020	34.60%	52.40%	13.10%
7/29/2020	35.90%	52.60%	11.50%
9/16/2020	36.80%	53.40%	9.90%
11/5/2020	36.80%	53.60%	9.60%
12/16/2020	36.80%	54.60%	8.60%

Source: CME group, Data as on Mar 5,2020

If equities continue to plummet, we could be moving closer to deeper coordinated central bank rate cuts last seen in 2008. For the very short term, much weaker equities and a much deeper Fed easing cycle are a dollar negative. Plunging equities (implying Trump's chances of re-election possibly getting hurt) and Sanders leading the Democratic polls could turn out to be a nasty concoction for the Dollar.

Meanwhile, EUR/USD is rallying on the back of broad-based de-leveraging. That said, we reckon the Euro area economy is too fragile and the Euro's inadequate cyclical impetus and the fact that it is too exposed from a reversal of the heavy equity inflows from 2019 makes us nervous on its trend continuation.

Separately, JPY has become a less reliable safe-haven because structural capital outflows are dampening JPY's sensitivity to falling global yields. However, early March moves saw JPY making a safe-haven come back amid sharp equities fall globally, with the biggest surge in the VIX since the Global Financial Crisis. The JPY safe-haven status could still hold while this equity correction unfolds. That said, Japan's economy will also be hit hard by the virus - and the loss of the Olympics would be a major shock.

We think USD remains inherently anti-cyclical and the sharp and potentially protracted hit to global growth in 1HCY20 could help propel the broad USD index to new cycle highs in coming months.

The impact of Coronavirus on different currencies aligns relatively closely with a country's economic exposure to China. This link is likely to weaken as the epidemic spreads beyond China. In EM space, we recommend a cautious play on EM Asia FX for the time being, while firming stance on near-term broad dollar trajectory.

Medium term bias for INR weakness remains

INR was initially resilient to the COVID-19 outbreak between late January and mid-February. This was largely on account of factors like (1) low significance in global supply chains, (2) low exposure to the Chinese economy via the trade and tourism channel, (3) low dependence on exports to prop growth, and (3) healthier BoP situation. Hence, INR did not join in the weakness seen in EMFX led by yuan which spilled to other regional export-sensitive currencies such as the Korean won and Singapore dollar. However, the INR's relative resilience has given way due to heightened global market volatility, news of more COVID-19 infections in India and worsening domestic credit risk issues. Consequently, INR has weakened the past few days down to levels last seen in November 2018.

All this while the RBI has been actively accumulating reserves and prevented excessive INR appreciation, partly as INR remains overvalued by around 15% as per REER. Amid INR resilience in early part, there were significant build-up in long INR positions, which are now getting reversed amid sharp portfolio outflows and the global risk-off. The currency remains caught between two opposing forces: (1) lower oil prices and an improving balance of payments on one side, and (2) higher inflation, fragile fiscal and worsening investor sentiment on global growth and domestic credit condition woes, on the other. In the near term, the risk to further near-term INR weakness is high, especially given its historical seasonal weakness in 2Q of calendar year.

We believe there is further INR weakness in order before it eventually stabilises. For now, we think RBI could step in to prevent excessive and immediate INR depreciation given it is comfortably sitting on a record USD 482bn of foreign currency reserves. More medium term though, we think the broad policy inclination of the central bank would likely remain that of preventing excessive INR appreciation and build currency reserves at opportune points.

Above views as on March 5, 2020

Madhavi Arora is the Lead Economist at Edelweiss securities, FX and rates. She spearheads the Macro research for India and major developed and emerging nations, focusing on policy arena, FX and rates and asset allocation strategies. She has over 12 years of rich experience as a macro economist with reputed banks, namely, Kotak Bank and J.P. Morgan. She also played a pivotal role during formulation of the 11th Five-year plan with the Planning Commission and shared space with eminent economists and policymakers. She is regularly featured in domestic and international print and television media for her markets and macro views. She has also been ranked as the top India growth forecaster Economist and one of the top three women economists in India by Bloomberg.



The Road Ahead



AMAR SINGH

Vice President

ANGEL BROKING LTD.

GOLD OUTLOOK 2020

Returns in Gold and Silver in (%)

Commodity	2015	2016	2017	2018	2019
Spot Gold	-10.36	8.5	13.11	-1.5	18.73
MCX Gold	-6.64	10.08	6.23	7.67	24.82
Spot Silver	-11.69	15.21	6.35	-8.65	16.95
MCX Silver	-7.5	17.27	0.48	-1.06	21.78

Gold prices have reached new seven year high ($1585/oz) in January 2020, continuing its positive momentum from the year 2019. Spot and MCX gold prices rose by 19% and 25% respectively in the year gone by.

The rise in precious metals prices is a combination of potent forces like financial uncertainty, lower interest rates and weakening global economic growth.

The global meltdown - is it real?

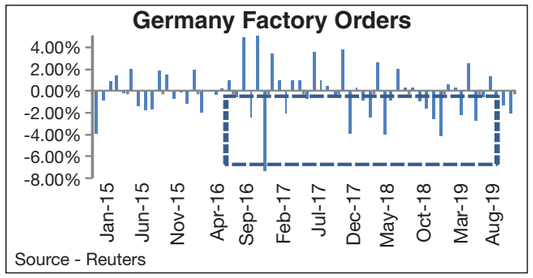
The year 2019 was no different when compared to 2008 (the onset of global financial crisis), wherein the global growth was estimated at 3.0 percent according to International Monetary Fund report released in October 2019.They have forecasted a sanguine growth of 3.4 percent in 2020, which is a 0.4 percentage point more when compared to the 2019 growth estimates.

By contrast, growth is expected to moderate into 2020 and beyond for a group of systemic economies comprising the United States, Euro area, China, and Japan; which together account for close to half of global GDP. Let us analyze key data points from major economies.

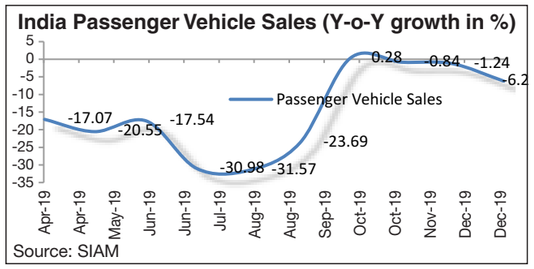
Germany, the largest economy in Europe is saddled with slowdown and Germany's manufacturing recession looks far from over after latest data showed factory orders falling at their fastest pace in over a decade. The report is a blow to Europe's largest economy, which had shown signs of working its way out of slump that left it with the weakest annual growth since 2013. Orders are a key gauge because they indicate future output.

Moreover, **the Brexit saga** is finally done with, as London has finally acted upon its 52% "leave" vote that happened in 2016. Britain exited the European Union on January 31st 2020 as the **"Withdrawal Agreement Bill"** cleared its final hurdle with the European Parliament accepting its departure. Breaking free of the EU has a steep prices tag attached. Even if London gets a trade deal with the EU, the British economy would be badly hit.

In China, the slowdown is for real as auto sales are one of the good indicators that suggest slack/boom in the economy. The auto sales data from **China Passenger Car Association** indicates de-growth in the automobile **sector.** China's car sales are likely to slump the most on record in the first two months of 2020 as the coronavirus keeps buyers away from showrooms, intensifying the headwinds for automakers in the world's biggest market. Sales are set to fall by 25-30% in January-February 2020 according to preliminary forecast by China Passenger Car Association. The virus outbreak will drag **China's full year auto sales by 5%** according to the association.



The never ending US-China trade dispute has shattered the global trade mechanism. According to the estimates by the Organisation for Economic Co-operation and Development (OECD) global trade growth slowed **from 5.5% in 2017 to 2.1% in 2019.** It clearly indicates the loss in the world's appetite for business beyond borders.



How can we forget India, the biggest consumer of the yellow metal? In the past few months, much ink has been split on the slowdown of India's economy and the consumption momentum has slowed down dramatically.

This comes at a time when India is seeing accumulation of stress in the financial sector, low levels of private investments and prolonged period of stagnation in the real estate sector combined with revenue shortfalls on the fiscal front.

As discussed in the report before, the automobile sales are the good indicators of any economy, the passenger vehicle sales in India fell the most in three months in January 2020 underscoring the prolonged slump in demand could continue as consumer sentiment remains weak in a slowing economy.

Sales of cars, utility vehicles and vans declined **6.2% to 262,714 units in January 2020,** from a year earlier, according to the data released by Society of Indian Automobile Manufacturers Association.

In totality, there is a slowdown in Europe, China, India, and to some extent the United States of America. Gold as an asset class performs in times of uncertainty, and the economic slowdown across the globe is a proof of the fact that the yellow metal will continue to shine in 2020 also.

ETF's-The driver of gold demand

Globally, gold ETF's have added 385 tonnes ($18.6Bn, 13.9%AUM) as on November 2019. North American-listed gold ETFs have added **206t, or 54% of global inflows,** compared to 171t (44%) in Europe. UK and German-based funds have grown **15% and 12% respectively in 2019.** Increase in the gold ETF's AUM in UK and Germany were purely on account of Brexit concerns and negative bond yields in Germany.

> The rise in precious metals prices is a combination of potent forces like financial uncertainty, lower interest rates and weakening global economic growth.

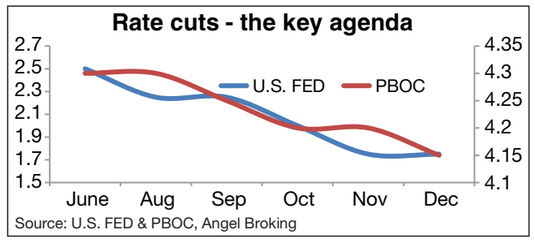
In totality, Global gold-backed assets under management (AUM) have grown 35% in 2019 (Till November 2019) as a result of increased investment demand and price appreciation. **(Source: World Gold Council).** Additionally, the total gold held by ETF's rose **2.3 percent in 2020 to 83.3 million ounces (till 12th Feb 2020),** the highest level in the past 12 months according to the data compiled by Bloomberg.

Since Gold backed ETF's and products account for signifcant part of the gold market, we strongly believe that the **inflows will continue in 2020,** as the world is full of uncertainty and investors need gold as a part of their investment strategies in their portfolio and ETF's will ensure that inflows in 2020 will continue to be robust, similar to the year goneby.

The increase in the gold ETF holdings is a clear indication that investors are looking towards gold as a strategic asset.

Easy money-The agenda of Central Banks

The slowdown in Manufacturing and auto sales has led the central banks to be on toes for whole of 2019. Chinese officials cut their value-added tax for manufacturing and other sectors as on April 1 2019. The central bank also infused various stimulus measures in the markets to get their economy back on track.



The U.S. Federal Reserve which hiked its interest rates four times in 2018 had to move towards a dovish approach considering rising uncertainties around the Sino-American trade and tariff situation and slowdown in global growth.

The U.S. FED has trimmed the interest rates thrice in 2019, to a range between 1.5 and 1.75 percent (from a range of 2.25 to 2.5 percent in 2018) in order to get their economy back on track.

China's central bank announced a plan to reform the LPR (Loan Prime Rate) mechanism in August 2019 to better reflect market changes in its latest move to reduce borrowing costs to support the real economy.

The central bank has cut the LPR after **August 2019 from 4.3% to around 4.15%** as on **November 2019** and this is further expected to be reduced in 2020 in order to boost the consumption cycle.

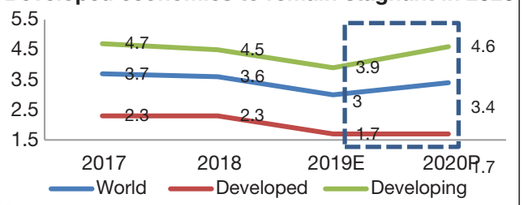
Coronavirus outbreak in China - the uncertain factor

Throughout 2019, the trade tensions between US and China kept global markets on tenterhooks. In 2020 Coronavirus is the talk of the town as the deadly outbreak of the virus in China, which has now infected around 42000 individuals and more than 1000 deaths in China itself and has reached 25 countries has been termed by World Health Organization as a "very grave" global threat and a serious epidemic. The outbreak has rattled equity markets globally and crude oil prices have also tumbled on expectations of reduced demand in China. What it means is that all the risk assets could be dumped by investors, and if the virus is not contained, the global world which is already grappling with slowdown, will be hurt further.

At the time of SARS outbreak in 2003, China's share in global economic output was around 4.3 percent. In 2019, it accounted for around 16.3 percent according to the International Monetary fund. What kind of impact the corornavirus epidemic has on growth will depend on if it is contained or not in the next few weeks. Whatever happens, it is a serious epidemic and gold is a go to asset class for investors in times of uncertainty.

Outlook

Developed economies to remain stagnant in 2020



Source: IMF; Angel Broking

The yellow metal has been a performer in the past year (2019) because of host of uncertainties surrounding the global economy.The year 2020 will be no different from 2019. With the global uncertainty still a worrisome sign, US-China trade equation is a difficult game for investors as well as the two countries itself to be on the same page. These two nations have to realise that it is in the benefit of all that the trade negotiations happen and the world enjoys global peace as far as trade is concerned.

The October'19 report from the International Monetary Fund stated that developed economy growth will remain stagnant in 2020 while the developing economy will show signs of greenshoots and recovery in the same time frame.

Slowdown is evident in the developed economies as per the IMF projections in the graph above and the central banks stance of these developed economies (US , Euro, Japan) "to do whatever it takes to boost global growth" will ensure that easy money will chase for higher yields which in turn will boost investments in the yellow metal.

Coronavirus is a fresh factor of uncertainty for investors across the globe and the virus if contained or not contained will be a recipe for further volaitility in gold prices in the year ahead.

We forecast Comex Gold prices (CMP:$1572/oz to trade higher towards $1700/oz in 2020 while $1450 will act as a stronger base, the psychological barrier. MCX Gold prices is a combination of two factors, international price moves and rupee movement. For investors in India, Rs.38000 will act as a entry base point for a target higher towards Rs.44000 per 10 gms.

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With more than 17 years of overall experience in banking and financial markets, he has excellent experience across asset classes, analysing the markets both from a fundamental as well as technical perspective. A CFA charter holder from the ICFAI, Hyderabad and an MBA degree from the ICFAI Business School, New Delhi, he has worked with reputed brands in financial services such as Religare, Aditya Birla Money and Oriental Bank of Commerce (OBC) amongst others in his previous roles. Always open to share his wisdom and knowledge with investors, students and colleagues, he has been associated with leading financial institutions in training engagements, apart from being a guest lecturer at IIM - Kashipur & NMIMS - Mumbai. A voracious reader and a keen observer of changing global investment trends, he is passionate about Capital Markets and Technology, and his views are valued by the market participants as well as the media.

The Road Ahead



KOEL GHOSH

Head - South Asia

S&P DOW JONES INDICES

S&P Dow Jones Indices
A Division of S&P Global

THE SHIFTING WINDS OF PASSIVE INVESTING IN INDIA

There is healthy demand among global investors for reliable and transparent indices and benchmarks to gauge sector-level and overall market performance. This demand coincides with investors seeking out cost-efficient investment strategies and shifting their asset allocations to lower-cost passive or index-based products, such as exchange-traded funds (ETFs), from actively managed funds.

Global ETF market assets crossed the USD 6 trillion mark in December 2019, with over 14,000 listings from 409 providers on 69 exchanges in 57 countries. Regionally, the total assets were skewed to the U.S. at 69%, Europe at 16%, and Japan at 6%. The majority of passive assets were in equities, at 75%, though fixed income made a significant contribution at 18%. As of December 2019, there were over 4,000 equity products and over a 1,000 fixed income products globally. In India and globally, equity-focused strategies have historically been more popular among investors. In fact, global assets in equity ETFs accounted for USD 4.7 trillion of the total passive market segment.[1]

Globally, the growing interest in passive strategies spans different asset classes, including equities, fixed income, and commodities. In addition to the cost effectiveness, investors tend to be attracted to passive strategies because of the performance records of vehicles such as ETFs, which by design closely mirror the risk/return profiles of their respective indices and benchmarks.

For nearly two decades, S&P Dow Jones Indices has been tracking the performance of actively managed funds against their benchmarks in key markets such as India. Although the results vary, certain trends emerged over time, such as actively managed funds underperforming their benchmarks over short-and long-term periods.

Today, we are seeing passive strategies extend beyond equities to offer investors the tools to measure different segments of the global fixed income market. Globally, fixed income assets accounted for USD 1.1 trillion of the total passive assets of over USD 6 trillion USD as of December 2019. Government bonds seemed to the most popular category in fixed income assets, contributing over 25% market share, followed by broad or aggregate ETFs, which had 20% of the market share.

Exhibit 1: Global Passive Assets



Source: ETFGI. Data as of December 2019. Chart is provided for illustrative purposes.

Indeed, fixed income passive strategies were one of the high points of 2019, and many asset owners expect this number to grow in the years to come. The underlying principle that anchors passive fixed income strategies is similar to that of the more established equity-focused offerings, although instead of a basket of stocks, investors buy into a basket of fixed income securities.

As the potential risks and opportunities of fixed income investing generate more attention, the need grows for independent and reliable global indices and benchmarks that enable investors to effectively monitor the performance of different segments of the debt market in order to make informed decisions. Each credit segment, whether it be investment grade, high yield, money market, or sovereign and public finance debt, has its own unique risk/return characteristics.

Lastly, independence, transparency, and liquidity are crucial factors for passive fixed income strategies to gain momentum and build an investor base in India and globally. While we make no predictions surrounding asset growth, we believe that an ongoing commitment to investor education and awareness will be key to the increased adoption of passive fixed income strategies.

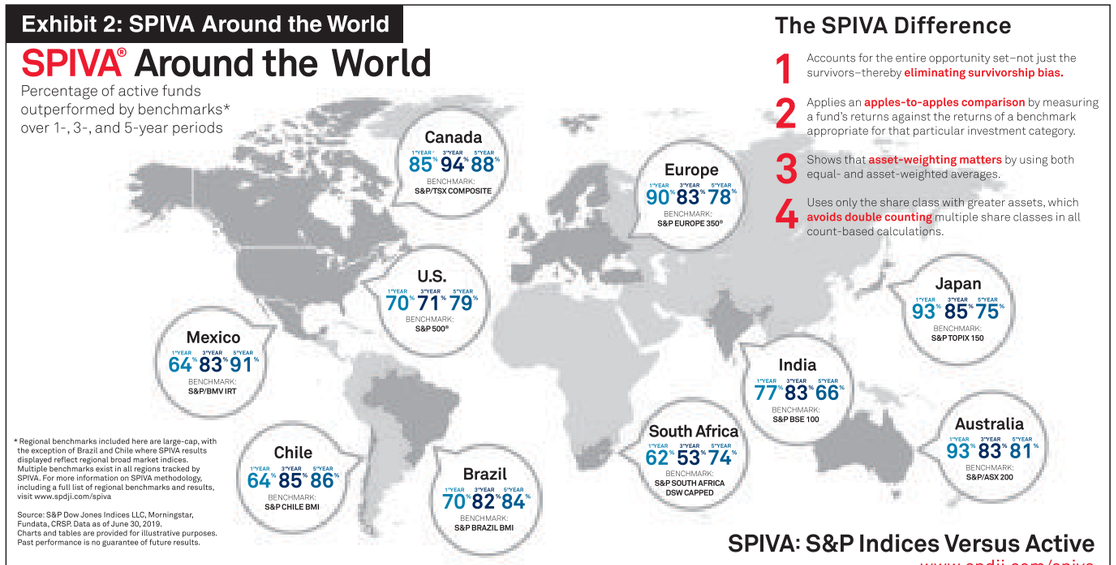
In India as well passive investment strategies have been steadily growing, with ETF assets increasing significantly over the past few years. The Indian government has played a critical role in this growth. For example, the Employee's Provident Fund Organization's (EPFO) allocations to equity ETFs and the Department of Investment and Public Asset Management's (DIPAM) ETF usage in their disinvestment program have helped lead the way for growth in the Indian market. However, the balance has always tipped toward equity as an asset class. In India, gold ETFs have seen some success in the commodity space, but the trend has not been consistent. The launch of India's first bond ETF, for instance, reflects the demand for more diversified exposure to equity and fixed income markets.

India is seeing a transformation in the passive space, with interests moving from vanilla broad market equity indices to other asset classes. The understanding of the benefits of passive investing is also being communicated by product providers, exchanges, index providers, intermediaries, and the government. The SPIVA (Standard and Poor's Index versus Active) Scorecard had gained prominence and popularity, with its results displaying the strength of passive investing.

The last few SPIVA Scorecards have consistently displayed the outperformance of the benchmark index over the active funds, building a strong case for index-based investing in the region. The mid-year 2019 scorecard demonstrated the same (see Exhibit 2). In the one- and three-year return categories, the large-cap segment outperformance was over 80%, while in the 5- and 10-year categories, the outperformance was over 60%.

If we view the fixed income categories, the results are similar and the index outperformance is eminent.

Exhibit 2: SPIVA Around the World



Source: S&P Dow Jones Indices LLC. Data as of June 28, 2019. Chart is provided for illustrative purposes.

Exhibit 3: Percentage of Funds Outperformed by the Index

FUND CATEGORY	COMPARISON INDEX	1-YEAR (%)	3-YEAR (%)	5-YEAR (%)	10-YEAR (%)
Indian Equity Large-Cap	S&P BSE 100	76.67	82.93	65.71	61.34
Indian ELSS	S&P BSE 200	80.95	83.33	51.35	45.71
Indian Equity Mid-/Small-Cap	S&P BSE 400 MidSmallCap Index	18.92	47.83	26.98	48.84
Indian Government Bond	S&P BSE India Government Bond	76.92	73.17	84.62	87.72
Indian Composite Bond	Index S&P BSE India Bond Index	98.57	94.20	97.64	96.10

Source: S&P Dow Jones Indices LLC, Morningstar, and Association of Mutual Funds in India. Data as of June28, 2019. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

For nearly two decades, S&P Dow Jones Indices has been tracking the performance of actively managed funds against their benchmarks in key markets such as India. Although the results vary, certain trends emerged over time, such as actively managed funds underperforming their benchmarks over short- and long-term periods.

The increased awareness of the benefits of passive management is fueling the industry, as more product providers are waking up to this option. There has been an increase in filings for index funds and there are more queuing up. All this is signaling a change in industry perception and the behavior of investors and product providers in this segment. In a market that favored only active investing in the past, the realization that passive investing has its benefits is dawning.

This is where the winds of change will likely create more opportunities for index investing and more index ideas to fuel investment options. Though the passive market in India is still nascent and it is a long road to be comparable with global trends, the pace of growth in India is encouraging. The passive investing market is at the brink of further significant growth and developments are indicating the bright future of this space.

1. Etfgi.com. December 2019.

Koel Ghosh is the regional head in South Asia for S&P Dow Jones Indices (S&P DJI). Koel leads the regional commercial efforts and actively educates and advocates for passive investing. She explores new markets and works with market participants to offer suitable solutions.

Her previous experience in the asset management and financial industries add to her in-depth knowledge in that space. She contributed to the growing Indian asset management industry through her marketing and sales roles at IL&FS Mutual Fund and UTI Asset Management Company. At Thomson Reuters, she further extended her business development skills in the financial data industry.

She additionally heads up the business initiatives in India and serves as Chairperson of the Asia Index Private Limited (a BSE and S&P DJI venture) Board. She was recognized by AIWMI as one of the top 100 women in finance in India in 2019.

She is a chartered accountant and a member of the Institute of Chartered Accountants of India.



The Road Ahead



LAKSHMI IYER

Chief Investment Officer (Debt) & Head Products

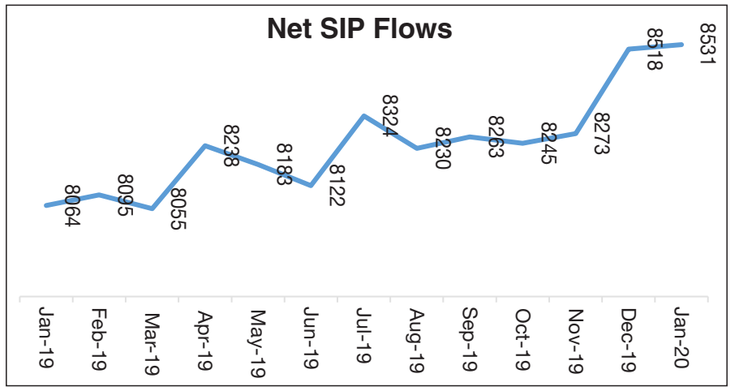
KOTAK MAHINDRA ASSET MANAGEMENT COMPANY LTD.

MUTUAL FUND INDUSTRY OUTLOOK

2019 - what a year it was !A year which had many **'Shorgul'** moments. Series of defaults and debt servicing delays highlighted creditrisks for the debt mutual fund investors. It was only the deft management of the industry managers, the regulators and the strong structural framework of industry; that ensured that the risk was contained. Even affected investors were slowly paid back in part, or whole, over a period of time. In the similar period, the equities market also saw significant volatility in the smallcaps and the midcaps. There was sizeable correction in midcaps and small caps. The largecap segment also saw growth only in few indicators. The undoubted **'Student of the Year'** however was Gold as an asset class, which outshone in terms of returns

Despite these challenges, mutual funds industry saw a steady growth in its AUM inflows. The mutual funds' AUM for the month of Jan-20 stood at around INR 27.85 lakh cr. This a growth of ~ 19% yoy from the same period last year. A sizeable portion of this inflow may be attributable to the buoyant inflows in the short term debt and the ultra-short term debt category.

Net SIP Flows



The consistency of the SIP flows was among the other key reason for continued and durable growth of the mutual funds AUM. During the last 1 year, the net inflows from SIP totaled at around INR 1.07 lakh cr (as of Jan-20). A major component of these flows came in from contributions towards the midcaps, smallcap and the multicap schemes. Quite naturally, the retail participation in the mutual funds has also gone up over this period. The total retail folios as of end of Dec-19 stood at around 7.82 cr accounts.

Durability of the SIP flows and the willingness of the retail investors to endure through the equity market volatility has been a big positive trend. Much credit for this goes to the Investor Awareness Programme (IAP).The coordinated IAP campaigns by AMFI, the AMCs and the advisor fraternity have made mutual funds a mainstream investment avenue.

We believe that this financial awareness will further seep-in into untapped areas. Moreover, as the positive word of mouth experiences of existing investors spreads, further retail participation will only rise. At that, growing transparency, lower costs, digital outreach and advisor ingenuity will also enable mutual funds penetration. But it may also invite more regulatory guidelines and oversights in the future.

Having said that, we may also see higher scope for further innovation in products, services and distribution in the days ahead. The launch of Debt ETF is only a possible precursor to what further possibilities lie ahead. We may see fund ideas in Commodities, REIT, INViT etc take more concrete shape as the market evolves to higher level of sophistication. Maybe, we may see days of more complex structured products to hit the market as the investor complexity creates demand for more niche requirements.

While there is ample growth in the industry, we are already seeing pareto principle in action in the industry. The aum growth is now increasingly accruing with top 10-15 brands in each product segment. The same also may be true at the fund house level. Due to this, we may see the industry approach towards consolidation in the future. The brand value, the outreach, and the penetration capability may increasingly begin to accumulate with the fewer players in the times ahead. We are witnessing some similar across sectors

However, leadership of the mutual funds industry is not a done deal. Those who can be innovative and can keep various stakeholders including advisors and investors delighted - will be the center of gravity for all. Thus, the game is up for play and a tight race seems ahead.

We are slowly moving towards Darwinian theory in some sorts - survival of the fittest. And such players in the industry will be determined by consistency across parameters including performance, service standards, integrity etc. Focus on process orientation and risk management will assume more significance than ever. This industry is about managing trust, hence integrity will be the 'Hero'like never before. Additionally, technology and ability to leverage skill and productivity may be the deciding factors in this **'Race'.**

> In the similar period, the equities market also saw significant volatility in the smallcaps and the midcaps. There was sizeable correction in midcaps and small caps. The largecap segment also saw growth only in few indicators. The undoubted 'Student of the Year' however was Gold as an asset class, which outshone in terms of returns.

In the near term, we believe that as more and more youngsters hit the job market, the need to create growth and to generate wealth, may rise. This may see the importance of investing rise as well. Moreover, the hassle-free investing generation may also take to technology to achieve their investment needs.

From a market stand point, finally there is some **'Sannata'** post the noise! The current stable/benign interest rate scenario may attract yield seeking foreign investors into the country. This would mean stable currency and could be a good complementing partner to the domestic investors who have started looking beyond traditional investments on the fixed income side. The retail **'Prem Kahani'** with SIP investing is a trend which will only intensify. Newer wrappers around SIP could be another emerging theme in times ahead.

Finally, the mutual fund industry, despite its high and growing AUM; is still at nascent stage of demographic penetration, and a pigmy when compared with the size of the banking industry! As digitization and financialisation takes roots, the growth this sector may see a scale that may be awe inspiring. Till then we as an industry shall continue to say **'Apna Time Ayega…'**

Lakshmi heads fixed income and products team at KMAMC. She has been with the organisation since 1999.

She joined KMAMC as a fund manager, and was responsible for credit research as well as deal execution, managing fund performance across all debt funds and assisting sales in client interaction. She has also been a portfolio specialist, and managed product related initiatives, product pricing and coordination with the funds management and sales team in that role.

Prior to Kotak, she worked with Credence Analytics Pvt Ltd, as a research analyst where she was tracking corporate bond markets in India and generating research reports. She was also instrumental for conceiving various financial software tools in collaboration with software and technical teams.

The Road Ahead



OM PRAKASH AGRAWAL

Director
Investment Banking

SMC CAPITALS LTD.

MERCHANT BANKING - OUTLOOK

Merchant Banking and its Origin

Historically, class of banks which were associated or engaged in financing the merchant trade/ transactions were called as Merchant Banks. With the aid of own capital, Merchant Banks evolved from financing trades to settling/facilitating trades for others.

Eventually with passage of time and continuous evolution of trade and finance, Merchant Banks evolved further from facilitation of trades to help businesses in raising funds/capital.

Merchant Banking and Investment Banking

Merchant Banking as mentioned above is a function of intermediation in the capital market. The merchant banker has an onerous responsibility towards the investors who invest in such securities. The regulatory authorities require the merchant banking firms to promote quality issues, maintain integrity and ensure compliance with the law on own account and on behalf of the issuers as well.

> Merchant Bankers will continue to play vital role in facilitating the mobilization of large volume of funds, which are beyond the ambit of banks. Especially in country like India, which is in growth phase the prospects for Merchant Banking activities are expected to remain robust for those who are willing to work in interest of all i.e. investors, regulator and corporate.

Merchant banking is a fee based service for management of public offers of securities, known as 'issue management'. In India, the merchant banker leading a public offer is popularly known as the 'Lead Manager' or Book Running Lead Manager.

The term 'Investment Banking' has a much wider connotation and is gradually becoming more of an inclusive term to refer to all types of specialized corporate advisory services in the areas of project advisory, business and financial advisory and mergers & acquisitions, fund raising by Private Equity etc.

Merchant Banking in India

In India, Merchant Bankers are regulated by Securities and Exchange Board of India (SEBI), which lists out prime responsibilities of Merchant Banks to protect the interests of investors in securities and to promote the development of and to regulate the capital market, with focal point being interest of investors. The guidelines to follow by the merchant bankers have been laid out by the regulator in SEBI (Issue of Capital and Disclosure Requirements), Regulations 2018 as amended from time to time. For registering as Merchant Bank, SEBI has prescribed capital adequacy requirement of minimum net worth of five crore rupees.

The forerunners of merchant banking in India primarily used to be the foreign banks. However over a period of time, with the growing opportunities in the sector, the participants in merchant banking activity have increased, enthusing commercial banks, share brokers and financial consultancy firms to enter into the field of merchant banking and participate in the growing capital market. For instance, Nationalised banks have created subsidiaries to carry out merchant banking activities, other domestic financial institutions and broking houses have separate divisions /companies. Resultantly as on date there are approx. 214 Category I merchant bankers, which are registered with SEBI.

Role of Merchant Bankers

Merchant banks are primarily involved in issue management activities which could relate to Initial Public Offer (IPO), Further Public Offer (FPO), underwriting, Qualified Institutional Placement (QIP), Offer for Sale (OFS), Rights issue, buyback, open offer, delisting of securities, valuation / fairness opinion, etc.

Besides above issue management, the Merchant Bankers also undertake activities like managing/advising on International offerings of Debt/Equity i.e., GDR, ADR, Bonds and other instruments, Private placement of securities, Corporate Advisory services related to securities market (e.g., takeovers, acquisitions), Advisory Services for projects, Syndication of loans both domestic and international.

The nature of merchant banking services is development oriented and promotional to help the industry and trade to grow and survive. It is important to keep pace with the changing environment where Government rules, regulations and policies affecting business conditions frequently change; where science and technology create new innovations in production processes; modernizations, expansions, replacements of existing plant and equipments resulting in new demands for finances and necessitating constant review of the capital structure of the firms.

Merchant bankers, therefore, need to constantly renew their skills and upgrade their knowledge on rules and regulations, businesses and market practices in order to be able to deliver the appropriate financing solution / advisory to the corporate.In this regard SEBI also requires at least two Key Managerial Personnel to obtain certification from the National Institute of Securities Markets (NISM) by passing requisite Merchant Banking Certification Examination (MBCE).

Outlook

Irrespective of economic cycle, there will always be demand for capital by corporates for expanding the businesses. In the past three years Merchant Bankers have mobilized funds through IPOs/FPOs/OFS to the tune of approx Rs. 1.72 lakh Crores.

Merchant Bankers will continue to play vital role in facilitating the mobilization of large volume of funds, which are beyond the ambit of banks. Especially in country like India, which is in growth phase the prospects for Merchant Banking activities are expected to remain robust for those who are willing to work in interest of all i.e. investors, regulator and corporate.

CA Om Prakash Agrawal, Director - Investment Banking

He is a Science Graduate and Fellow Member of Institute of Chartered Accountants of India (ICAI) and also of Institute of Company Secretaries of India (ICSI). His association with SMC Capitals Ltd. spans around 12 years and is currently heading ECM and DCM as part of Investment banking business. He has over four decades of rich experience in Corporate Finance. He has spearheaded various transactions both in Debt and Equity Capital Markets predominantly in the area of Debt Syndication, Restructuring, M&A, Corporate Advisory, Fund raising PE, IPO etc.

The Road Ahead



AJAY THAKUR

Head - BSE SME & Start-up

BSE LIMITED

BSE SME AND START-UP PLATFORM - GREAT OPPORTUNITY FOR SMEs AND START-UPs

The Small and Medium Enterprises (SMEs) play a catalytic role in the development process of the economy as they constitute a major part of the industrial activity in these economies. This is reflected in the form of their increasing number and rising proportion in the overall product manufacturing, employment, technical innovations and promotion of entrepreneurial skills. In India, MSME sector is the second largest employer, after agriculture accounting for 80 million plus jobs. With the Indian economy growing, the need of SMEs to raise capital is becoming increasingly critical.

Today, the equity markets and the capital markets in general, have become more robust. Capital market regulations in India are among the best in the world. As the investor base keeps widening, it becomes inexorable to provide investors with a greater choice set of investments. Thus, the creation and conservation for SMEs becomes inevitable. Therefore a specialized capital market segment was needed to be in place that can provide risk capital for promising entrepreneurs, promoting innovation crucial for sustainable economic growth. With this objective and as per the recommendation of Prime Minister Task Force, SEBI has come out with detail guidelines on SME Exchange through their various notices dated 18th May, 2010, 26th April, 2010 and 17th May, 2010.

BSE understood the importance of Small and medium enterprises (SME) towards the growth of economy and therefore taken the initiative to launch its SME Platform on 13th March, 2012. In order to facilitate the companies in getting listed in a cost effective manner the guidelines have been simplified. The brief guidelines for the same are:

1. Issuer with post issue face value capital up to Rs.10 crores shall be compulsory listed under the SME Platform, Issuer with post issue face value capital between Rs.10 - 25 crores may get listed at SME Platform and Issue with post issue face value capital above Rs.25 crores has to necessarily listed at main board of the Exchanges
2. Net Tangible assets of at least Rs. 3 crore as per the latest audited financial results
3. The Company or the entities or the entities which has been converted into the Company should have combined positive cash accruals (earnings before depreciation and tax) from operation and its net worth should be positive.
4. The company or the partnership/proprietorship/ LLP firm or the firm which have been converted into the company should have a combined track record of at least 3 years.

   Or

   In case it has not completed its operation for three years then the Company/Partnership/ Proprietorship/LLP should have been funded by way of loan/equity by Banks or Financial Institutions or Central or State Government or its undertaking, or its Group Company should have been listed for at least two years either on the Main Board or SME Board of theNationwide Exchange.
5. The Company has not been referred to the Board for Industrial and Financial Reconstruction (BIFR)
6. There is no winding up petition against the company that has been accepted by a court.
7. There should have been no change in the promoters of the Company in the one year preceding the date of filing application to BSE for listing on SME segment.
8. Stock/Commodity Broking companies, Micro Finance Companies which are non-deposit taking Non-banking Financial Company (NBFC) are eligible for listing on BSE SME Platform. Subject to meeting the following eligibility criteria.

Broking Companies:

1. Net worth of minimum Rs. 15 crores with profit before tax of Rs. 5 crores in any 2 years out of 3 financial years. OR
   having net worth of Rs. 25 Crores with profit in any 3 years out of 5 financial years. The Financial year should be for a period of 12 months. Extraordinary income will not be considered for the purpose of profits. (The Net worth will include equity, Preference Shares, reserves and Surplus).
2. The Net Tangible assets of at least Rs. 3 Crores as per the latest audited financial results.
3. Post issue paid up capital of the Broking Member should be minimum Rs. 3 crores.

Micro Finance Companies

1. For Micro finance companies, in addition to the existing criteria for all SME companies, the company should have a book value of at least Rs. 100 crores and with a client base of 10000 and above and it should not have accepted/ hold public deposit.

Benefits of SME Platform:

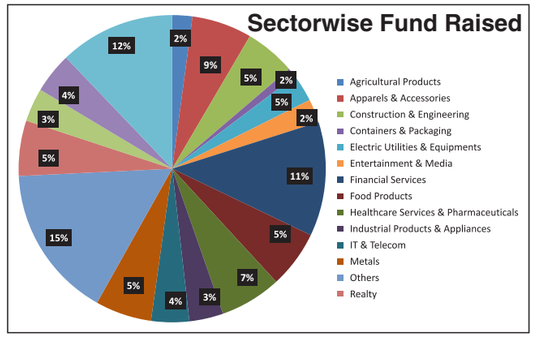
- Provides the SMEs with equity financing opportunities to grow their business - from expansion to acquisition
- Equity Financing lowers the Debt burden leading to lower financing cost and healthier balance sheet
- Expands the investors base, which in turn helps in getting secondary equity financing, including private placement
- Enhances company's visibility. Media coverage provides SME with greater profile and credibility leading to increase in the value of its shares
- Greater incentive for the employees as they can participate in the ownership of the company and benefit from being its shareholders
- SME sector will grow better on two pillars of Financial system i.e. Banking and Capital Market

Statistics on BSE SME Platform:

No. of Companies Listed on SME	316
Total Amount of Money Raised (Rs. Cr.)	3289.94
No. of Companies Migrated to Main Board	77
Mkt Cap of Companies. Listed on SME as on 12th Feb 2020 (Rs. Cr.) (including companies migrated to main board)	18121.37
Currently Listed	239
Mkt Cap of BSE SME currently Listed Cos. (Rs. Cr.)	11,689

Sector Wise Distribution:

Sector	Count	Percentage Contribution
Agricultural Products	8	3%
Apparels & Accessories	23	7%
Construction & Engineering	15	5%
Containers & Packaging	9	3%
Electric Utilities &Equipments	14	4%
Entertainment & Media	10	3%
Financial Services	28	9%
Food Products	11	3%
Healthcare Services & Pharmaceuticals	20	6%
Industrial Products & Appliances	14	4%
IT & Telecom	14	4%
Metals	12	4%
Others	49	16%
Realty	15	5%
Services	12	4%
Textiles	15	5%
Trading & Distribution	47	15%
Total	**316**	**100%**



Sector Wise Distribution:

State Name	Count	Percentage Contribution
Delhi	38	12.0%
Maharashtra	93	29.4%
Gujarat	100	31.6%
Punjab	10	3.2%
Rajasthan	14	4.4%
West Bengal	21	6.6%
Madhya Pradesh	3	0.9%
Daman	1	0.3%
Tamil Nadu	8	2.5%
Uttar Pradesh	10	3.2%
Telangana	4	1.3%
Himachal Pradesh	1	0.3%
Karnataka	7	2.2%
Chhattisgarh	3	0.9%
Bihar	2	0.6%
Goa	1	0.3%
Total	**316**	**100%**

Launch of Start-up Platform

India in last decade has seen a phenomenal growth in the start-up landscape making it the third largest destination in the world. The government has taken lots of initiative to develop a vibrant ecosystem for Start-ups. The Start-ups have received increased attention in recent years. The numbers are on rise and they are now being widely recognised as important engines for growth and jobs generation. Through innovation and scalable technology, start-ups are generating impactful solutions, and thereby acting as socio-economic development and transformation. One of the most pressing growth challenges faced by policy makers is how to further prepare the ground for start-ups to grow and create meaningful economic impact. In this regard, the BSE Start-up Platform offers a simple, cost effective, yet deeply impactful mechanism that enables both start-ups and investors.

> Today, the equity markets and the capital markets in general, have become more robust. Capital market regulations in India are among the best in the world. As the investor base keeps widening, it becomes inexorable to provide investors with a greater choice set of investments.

BSE became the first Exchange to launch Start-up Platform on 22nd December,2018 to facilitate high - growth companies to get listed on Start-up Platform. The eligibility criteria for the same are as follows:

- The Company shall be incorporated under the Companies Act, 1956 / 2013.
- The "Start-up companies" seeking Listing on BSE Start-Up Platform should be in the sector of IT, ITES, Bio-technology and Life Science, 3D Printing, Space technology, E-Commerce, Hi-Tech Defense, Drones, Nano Technologies, Artificial Intelligence, Big data, Enhance/Virtual Reality, E-gaming, Exoskeleton, Robotics, Holographic Technology, Genetic Engineering, Variable Computers Inside body computer technology and other Hi-tech based companies.
- The company should be registered as start-up with MSME/DIPP. In case the company is not registered as Start-up with MSME/DIPP then the company's paid-up capital should be minimum Rs. 1 crore.
- **Post Issue Paid up Capital**
  The post issue paid up capital of the company (face value) shall not be more than Rs. 25 crores.
- There should be preferably investment by QIB investors (as defined under SEBI ICDR Regulations, 2009) / Angel Investors/Accredited Investors for a minimum period of 2 years at the time of filing of draft prospectus with BSE.

Statistics on BSE Start-ups Platform:

No. of Companies Listed on Start-ups	04
Total Amount of Money Raised (Rs. Cr.)	19
Mkt Cap of Companies. Listed on Start-ups as on 12th Feb 2020 (Rs. Cr.)	66.55

Conclusion:

In last few year BSE SME Platform has become an engine for growth for the SMEs getting listed. It has unlocked the value of the companies, act as catalyst in their business growth and visibility and created huge employment. In the times to come many SMEs across the country will get listed and enjoy the benefit and contribute to the growth of the economy.

Ajay Thakur, A professional with around 26 years of experience in Capital Market spanning India's biggest Custodian to India's biggest and largest Stock Exchange. The key roles have been setting up the depository by the regional stock exchange, developing derivatives and equity market and setting up SME and Startup Platform. He is the Executive Committee Member of Indian Merchant Chamber, Jury Member of India SME Forum and Member of Advisory Committee of GLA University.

In his career of 26 years he has worked in various capacity with organizations viz. Stock Holding Corporation of India, Vadodara Stock Exchange and BSE.

He joined BSEin December 1996 as Head - Arbitration and Business Development. He wasinstrumental in developing the derivatives segment of BSE and also actively involved in opening of regional centers across the country. Presently as Head - BSE SME and Start up, responsible for the development of these segments of BSE.

He is credited for launching the first ever SME Platform and Startup Platform in India on 13thMarch, 2012 and 22 December, 2018 respectively. BSE today is the largest SME Platform in India with 318 companies listed and 57 companies are in pipeline.These 318 companies listed represent 17 sectors which has raised an amount of Rs. 3304.22 crores with market capitalization of Rs. 18,528.71 crores.BSE has got4 Startups listed in its Startup Platform which has raised 19 crores with market capitalization Rs 54.37 crores. There are another 5 Startups which are in pipeline to get listed. The success of these platforms has been recognized and appreciated by national and international organizations.

In one of the annual issues of 2013, Asian Development Bank (ADB) has appreciated the effort of BSE SME for promoting SME listing in India. IOSCO also in its research report of July 2015 mentioned that BSE SME platform is the most cost effective platform for SME listing in the World. BSE SME has received SKOCH achiever award from the hands of then, Minister of State for finance Shri Jayant Sinha in the year 2015. BSE has beenalso awarded as the best SME exchange in India by Shri Kalraj Mishra,then Minister for MSME in 2016 and from SP Jain Institute of Management and Research as CHANGE AGENT in the year 2018.Mr. Ajay thakur is also on various committees viz, India SME Forum and CII MSME Committee.

BSE has signed MOU with various State Government viz Government of Uttar Pradesh,Government of West Bengal and Government of Haryana to create awareness about BSE SME and Startups Platform. BSE has also signed MOU with HDFC Bank to create awareness aboutBSE Startup Platform.

The Road Ahead



SEJAL SHAH

Tax & Legal Consultants

SEJAL M. SHAH & ASSOCIATES

GST OUTLOOK 2020 AND WAY FORWARD

ABSTRACT

GST is a destination-based tax in which many central and state levied taxes have been subsumed .GST is expected to solve many problems like a multiplicity of taxes, coordination problems between the union and state government and the problem of tax evasion. The government of India intended to implement GST 2008 and it was supposed to be in existence from April 2010 but due to political and state government financial autonomy and fiscal dependency issues, this law has been implemented on 1st July 2017. It is also expected to boost up the economic unification of India and will evade the cascading effect in the Indian tax regime. The expected outcome of the implementation of GST in India is that it will lead to an efficient allocation of factors of production thus leading to gains in GDP and exports.

France was the first country to introduce the GST system in 1954. Till now, around 150 countries are following it. In 2000 the idea of GST was introduced by the Vajpayee government by setting up an empowered committee headed by Dr. Asimdasgupta. For studying GST and its impact on India, many teams and task forces were appointed by the government. The Goods and Service Tax Bill or GST Bill also passed from RajyaSabha on 3 August 2016 with amendments. After moving to Lok Sabha, it was approved on 08 August 2016.GST Act was passed in parliament on 29th March 2017. It came into effect from 1st July2016.

Goods and Services Tax abbreviated as "GST" is the new indirect tax being levied on manufacture, sale, and consumption of goods as well as services at the national level. It is levied on value addition. It has replaced all in direct taxes namely VAT, Excise duty, service tax, and Sales tax. It is aimed at being comprehensive for most goods and services .It is a consumption-based tax applied to goods and services at the place of its consumption. The GST implementation in India is "Dual in nature, i.e. India has adopted dual GST instead of national GST. The two components of GST in India are CGST (Imposed by Centre) and SGST (Imposed by state and Union Territories). CGST, SGST & IGST are the three main segments of taxes being implemented under GST:

- **CGST:** On an intra-state sale CGST is applied by the Central Government.
- **SGST:** On an intra-state sale SGST is applied by the State Government.
- **IGST:** On inter-state sale is applied by the Central Government.

For the intrastate sale, the total tax would be CGST + SGST and the revenue will be shared equally between the Centre and the state. For the transactions including interstate trade, there will be only one type of tax (Central). The Centre will then share the IGST revenue based on the destination of goods. In this destination principle, the producers and traders need not shoulder the financial burden as they are not responsible to collect taxes on behalf of the government rather it is the retail trader's responsibility to collect the tax. The state which consumes more is likely to benefit more than the producing state. As such it paves a way to the state which is consuming more and remains in the less developed states to tap more revenue and deploy the same for their growth and development. GST besides addressing tax evasion and

corruption it increases productivity and alleviates poverty and economic distortions.

IMPACT ON TAX INCIDENCE

- Telecom: The finance ministry with all representatives of states has fixed the rates of GST on goods and services provided by telecom industries at a rate of tax of 18 % which is three percent higher than earlier tax structure. GST may be the reengineering for the whole indirect tax structure in the near future.
- Real estate: The tax rate for the construction sector, including real estate under the indirect tax rat e regime has had an effective tax between 11% and 18%. It used to vary based on the nature and the type of the contract. Under the older system of taxation, the service tax exemption was available on the construction of roads, dams and irrigation projects. Under GST, then tire works contract is charged an 18% tax. Also, under the GST system, the party is entitled to an input tax credit which is only partially available under the older system of taxation.
- Daily use products: The previous tax rate for Daily Use Products used to vary from 18% to 27% but now under the GST regime it is ranging from 5% - 18%.This reduction combined with the elimination of multiple city of taxes and the availability of cross utilization of credit will have a positive impact on the prices of a certain good.
- E-commerce: Under the previous version of the tax regime, the non-uniform structure for VAT across the state lead VAT arbitrage which has come to an end in the GST regime .Moreover ,credit of service tax and credit of VAT were not allowed to traders but cross-credit utilization is allowed in GST which has reduced the cost of supplies.
- Banking : The bank services hope to become costlier under the GST regime because the tax rates have increased from 15% to 18-20%. Now all of the services like interest on loan, trading on securities have come under the purview of the GST, the financially weaker section and the consumers' investment pattern has got affected. Instead of charging tax on transactions ,the tax may be imposed on the fee they charge. Moreover, certain crucial activities like loan operations have been exempted from GST.
- Stock Brokers: There are various types of services and supply provided by a broker as under :**Brokerage Earned in Stock Broking** Stock brokers are engaged in the business of supplying the stock broking service and hence GST @ 18% is payable on the brokerage earned by providing stock broking service .**Interest or Delayed Payment Charges** Also, GST would be application on any interest / delayed payment charges charged for delay in payment of brokerage amount / settlement obligations / margin trading facility.

> Goods and Services Tax abbreviated as "GST" is the new indirect tax being levied on manufacture, sale, and consumption of goods as well as services at the national level. It is levied on value addition. It has replaced all in direct taxes namely VAT, Excise duty, service tax, and Sales tax.

The older system of indirect tax structure contained 25 types of taxes at the central, state and local levels .The center collected excise duty ,central sales tax and customs duty whereas the state collects VAT, Octroi , entertainment tax and purchase tax. This difficulty in the structure created hurdles across all industries and it has been removed by GST as it subsumed many of these taxes. Moreover, the goods were taxed at different rates in different states. This difference has been eradicated in GST as it is a single rate applicable uniformly to all goods and services. Yet another major problem in the old tax regime was the cascading effect and inability to set off between VAT and CST which ultimately increased the price and makes our product less competitive both in the domestic and international markets .GST addressed this issue by allowing input tax credit and enhances product competitiveness .The GST council with a four-tier structure for goods which ranges from 0% to 28% with two standard rates of 12% and 18%. This new structure lowers the logistics cost ,bring sun organized operators into its ambit ,reduced the overall tax burden of the final consumers. It is the common man friendly structure as more than 50% of necessary items are Zero- rated and only 5% is charged on essential items and 28% rate is on demerit goods.

IMPACT ON TAX COMPLIANCE

- Under the previous taxation system multiple taxes were paid on the same product but now in the GST regime taxation procedure has been simplified and aligned with a robust IT system creating an assessed friendly tax administration system. This has encouraged tax compliance as it has facilitated transparency. Further, the in-built input tax credit mechanism in GST provided a timely refund to traders which have incentivized tax compliance Similar rates across the country and common base encourage tax compliance is resulting in better revenue for the country
- Telecom Sector: From a compliance perspective under the GST regime, the telecom sector is required to undertake State wise registration instead of centralized registration which has increased the cost of compliance.
- E-commerce: GST has brought a tax collection at source provision for e-commerce operators with regard to goods sold through their portal which has significantly increased the compliance burden on the industry.
- Automobile: For automobile multiple taxes which were earlier applicable such as excise duty, VAT/ CST, entry tax, octroi have been subsumed under the GST thus reducing the compliance burden.
- Banking: The major impact area for the sector should be from a compliance perspective, where there is a likelihood of a significant increase from centralized compliances to multiple state decentralized compliances.

GST for Sub-Brokers

Sub-brokers, as defined under Stock Brokers and Sub Brokers Regulation, 1992, means any person, not being a member of stock exchange, who acts on behalf of a stock broker as an agent or otherwise for assisting the investors in buying, selling or dealing in securities through such stock brokers.

As per section 2 (5) of CGST Act, 2017, the term "agent" means a person, including a factor, broker, commission agent, arcadia, del agent, an auctioneer or any other mercantile agent, by whatever name called, who carries on the business of supply or receipt of goods or services or both on behalf of another. Sub-brokerwould apparently be providing services to the stock broker as well as to the clients / investor and receiving consideration from both. Thus, in such a case, where the sub broker is providing services both to the broker and the investor on behalf of the broker, the sub broker would be duly covered within the definition of 'agent' as provided in Section 2(5) of the CGST Act, and needs to compulsorily register themselves under GST without the threshold exemption under Section 24(vii) of the CGST Act, 2017. However, if the sub-brokers do not provide any service to the clients / investor on behalf of stock broker (for example referral commission only), then the said sub-brokers would not fall in the definition of "agent" under the CGST Act, 2017 and provisions of GST would be made applicable accordingly.

Treatment of Securities

Section 2 (101) of the CGST Act, 2017 defines "securities" to have the same meaning as assigned to it in clause (h) of section 2 of the Securities Contracts (Regulation) Act, 1956.

Section 2 (52) of the CGST Act, 2017 defines "goods" to mean every kind of movable property other than money and securities but includes actionable claim, growing crops, grass and things attached to or forming part of the land which are agreed to be severed before supply or under a contract of supply.

Thus from the above definition it can be concluded that the securities are not goods under the CGST Act, 2017.

Section 2(102) of the CGST Act, 2017 defines "services" to mean anything other than goods, money and securities but includes activities relating to the use of money or its conversion by cash or by any other mode, from one form, currency or denomination, to another form, currency or denomination for which a separate consideration is charged. Thus, securities are not services under the CGST Act, 2017.

Since securities neither fall in the definition of goods nor in the definition of services, they fall in the definition of "non-taxable supply" under section 2 (78) of the CGST Act, 2017 and provisions of GST would be made applicable accordingly.

CONCLUSION

GST is the most rational step taken by the government of India towards all-inclusive indirect tax reform in the country. GST has simplified the indirect tax structure. Locally manufactured goods and services have become cheaper due to increased input tax credit and subsuming of various central and state indirect taxes into the GST. GST has brought down the cascading effect and has reduced the tax burden on the final consumers .This has reduced the prices of various goods and has increased the exports of Indian goods. By implementing GST, India has come in line with 150 other countries that have implemented it. But this is just the beginning, Government of India is taking a lot of steps to improvise the tax structure. A lot of changes are being introduced to make the GST simpler and user-friendly. In the future, GST will prove to be a game-changer for the Indian Economy.

Sejal Shah, Advocate.

She has been working as an Advocate in the field of Taxation - Direct & Indirect. She specialisation in GST. Handling Tax Litigation up to High Court. Currently she is working independently after gaining experience at Ramesh M Shah & Co, Chartered Accountants and after completing LL.B. from Government Law College. As a B. Ed. & M.B.A. she had a brief stint as an Educationist with Aditya Birla World Academy, Mumbai. She is also a Member of various sub-committees of The Goods and Services Tax Practitioners' Association of Maharashtra (GSTPAM), Hon. Secretary at Social commitment to Jain Advocates Federation (JAF), Faculty at Coaching Class Event organised by GSTPAM & Training Sessions organised by Tax Foundation Academy (TFA). Sejal has been a Group leader at the Conference (RRC) organised at Radisson Hotel, Gandhidham by GSTPAM. Sejal has contributed regularly for the Beginners' Book on GST Law to be Published by GSTPAM. She is an athlete too and participate in various marathon runs across the country.

The Road Ahead



T. N. ARUN KUMAR

Interim CEO

CARE RATINGS LTD.

RATINGS INDUSTRY OUTLOOK

The state of the economy and the credit markets in particular are the key determinants of the performance of credit rating agencies. On both these counts, the domestic rating industry has challenges to reckon with.

Prevailing Scenario

The business prospects of rating agencies is directly linked to the growth of fresh debt raised which in turn is connected with economic activity. The low fund raising by the commercial sector in the countryhas impacted the business volumes of the domestic rating agencies in recent times. While the prevailing weakness in the country's economydue to the sustained slowdown in consumption, subdued investments and uncertainty over the future has lowered demand for funds by businesses, the credit markets have also been weathering challenges of risk aversion on account of the persistent overhang of stressed assets of banks and the liquidity crisis and credit crunch in the NBFC sector since mid-2018.

In addition, the credit quality of rated entities has seen a moderation in 2019-20 to multiyear lows with higher number of rating downgrades than upgrades, adding to costs and availability of funds for entities whose financial position is under stress. The credit quality of the rated entities as measured by CARE Rating's 'modified credit ratio' (MCR) in the first 9 months of 2019-20 has been the weakest in 6 years.

The weakness in the domestic credit markets can be gauged from the sharp decline in bank credit growth and the limited participation in terms of sectors and entities raising funds from the debt capital markets. Banks which are the biggest source of funds for the commercial sector in the country, (accounting for over 70% of outstanding external funds)have witnessed a sharp drop in credit growth in 2019-20. In the first 9 months of 2019-20 overall incremental bank credit growth was a mere 2.4% versus the 8.2% growth of year ago and credit offtake by industry and services contracted by 2.6% against the positive growth of 4.9% last year. The lower demand for funds, deleveraging by corporates as well as constrained and high cost lending by risk averse lenders despite the huge surplus in the banking system (estimated daily surplus of nearly Rs. 2 lakh crores during Jun'19 - Feb'20) has been behind the weak bank credit growth. Bank loan ratings are an important business segment of rating agencies and the weakness in bank credit offtake has been pressuring business volumes of rating agencies.

Fund raising from the debt capital markets has seen increas ein 2019-20 with the transmission of the RBI rate cuts (of 135 bps since Feb'19) being higher in this segment. The capital debt market segment comprising corporate bonds and money market instruments accounts for around 20% of the outstanding external funds of the commercial sector. Corporate bond issuances during the first 9 months of 2019-20 have been 15% higher than year ago. The issuance has nevertheless been restricted to the higher credit rated corporates and the finance sector. Over 90% of the issuances have been restricted to entities rated AA - (high credit worthiness) and above and nearly 2/3rd of issuances have been by entities from the finance sector. While the cost of funds raised via corporate bonds for the higher rated entities has seen a decline, reflecting the transmission of the RBI policy rate cuts since early 2019, the lower rated entities are faced with a liquidity squeeze and have been struggling to raise funds.

Going forward

The Indian economy is expected to see a pickup, albeit a gradual one, in the coming financial year supported by the various measures; including sector specific ones, being undertaken by the government and RBI to stimulate economic activity and investments. This could hold good tidings for the credit markets and thereby for the rating industry.

The business prospects for the rating agencies in 2020-21 would be contingent on the scale of improvement in domestic investment and consumption and the resultant growth in the demand for funds from the credit markets. To this end, the revival of the NBFC sector which is a crucial source of finance for various segments of the economy would be critical.

Bank credit offtake is likely to see higher growth as banks start lowering lending rates in response to the various conventional and unconventional measures being undertaken by the RBI to support and hasten the transmission of the policy rate cuts. This could encourage borrowings by businesses which could in turn lead to a cycle of economic activity, consumption, investments and higher bank lending. The growth in bank credit would necessarily increase the volume of bank loans that need to be credit rated.

> While the prevailing weakness in the country's economy due to the sustained slowdown in consumption, subdued investments and uncertainty over the future has lowered demand for funds by businesses, the credit markets have also been weathering challenges of risk aversion on account of the persistent overhang of stressed assets of banks and the liquidity crisis and credit crunch in the NBFC sector since mid-2018.

Prompted by the decline in cost of borrowings, the higher rated corporates have been increasingly raising longer duration funds from the corporate bond markets. This trend is likely to be carried forward with the hoped for revival in the economy. The volume of corporate debt ratings too is expected to rise in the coming financial year.

Despite the optimism for the domestic credit markets in the coming future, the business of the rating agencies would also depend on the improvement in credit quality of entities in the system. The weakness in credit quality of the rated entities (that could lead to further downgrades) and the weak financial profile of those seeking funds could be a limiting factor. Ratings are expected to improve gradually and may not be uniform across sectors as economic growth would vary across sectors. Additionally, tighter regulatory scrutiny on rating agencies could also be a pressure point for the rating industry which will however help to make the system more robust and resilient in the coming years.

T. N. Arun Kumar has over 28 years of rich experience in credit rating and project appraisal and extensive knowledge about functioning of the corporate sector. Currently he is the Interim CEO at CARE Ratings.

After having worked for over 5 years in a Development Financial Institution, he joined CARE Ratings in December 1994. He was the Head of Ratings at CARE Ratings and has been instrumental in putting in place quality systems and sound rating processes during the period of rapid growth by CARE Ratings. He has a post-graduate degree in Management from Indian Institute of Management (IIM), Ahmedabad and a graduate in Agricultural Engineering from Indian Institute of Technology (IIT), Kharagpur. He also is a CFA Charter holder from the CFA Institute, USA and holds FRM certification awarded by GARP, USA.

The Road Ahead



PRAVIN AGARWAL

Director

SMC INSURANCE BROKERS PVT. LTD.

INSURANCE INDUSTRY - WAY FORWARD

Insurance industry in India has seen a major growth in the last decade along with the introduction of a huge number of advanced products. Undoubtedly it is facing a dramatic transformation, driven by a shift in the competitive landscape, use of technology, rising customer expectations and the changing nature of risk itself. The current landscape of the industry makes it imperative for insurance companies to keep customer experience at the core of their strategy. Meanwhile, Insurance companies are continuously focusing on using technology and innovative initiatives to optimize costs, drive wider distribution and market reach, and explore local niche market segments to spur growth. Now, with several regulatory changes in the insurance industry in India, the future looks remarkable and promising for the insurance industry. However, macroeconomic challenges, demographic shifts and new competitive threats are some of the challenges to the industry.

The current landscape of the industry makes it imperative for insurance companies to keep customer experience at the core of their strategy. Meanwhile, Insurance companies are continuously focusing on using technology and innovative initiatives to optimize costs, drive wider distribution and market reach, and explore local niche market segments to spur growth.

With the advancement of technology, insurance companies are investing more than ever to transform their business models and grasp different growth opportunities across the globe. Yes, now Artificial Intelligence (AI) stands to disrupt industries on fundamental levels – from business model to value chain. Going forward, artificial intelligence will continue to affect the entire landscape of insurance. With the right ecosystem of software, services and infrastructure, insurance companies will continue to thrive through these changing times. The way forward lies in the collection and analysis of data like never before. It is expected that the future will also see insurance companies leverage data and analytics to generate better risk insights and this should help them optimize underwriting and pricing. Additionally, AI can reduce costs, enhance better customer experience and improve efficiencies throughout the policy life cycle.

With the emergence of nuclear families and limited social security instruments, there will be more demand for the products such as pension plans. Besides, Liability insurance has become a much-talked subject and has been receiving well-deserved attention not only in advanced economies but also in India. Now, the digital payment technologies are replacing cash in India, there is huge demand for cyber insurance policies after the telecom revolution and various initiatives that have pushed increasing digitization of the economy. Besides, the risk of new viruses like Coronavirus, Zika, Ebola to name a few will bring new product launch by the insurance companies and would promote health insurance. Connected car products with smart IA and strong growth in the automotive industry will continue to give boost to the motor insurance. Besides, it could be seen that government's policy of insuring the uninsured has gradually pushed insurance penetration in the country and proliferation of insurance schemes.

The Indian insurance sector is at the cusp of exponential growth. It has a lower penetration of insurance representing a huge opportunity yet to be unlocked by the industry. Moreover, India will continue to be a young country, with 50% of the population below the age of 30, hence the need for long-term savings will continue to dominate. Demographic factors, growing awareness of the need for protection and retirement planning will continue to support the growth of Indian insurance industry. As insurance companies are adapting to maturing markets, in the long run, their ability to assimilate technology, talent, and business-model innovation into legacy environments may be the key to success.

Pravin Agarwal, Director - SMC Insurance Brokers Pvt. Ltd.

He is currently acting as a whole-time director of SMC Insurance Brokers Private Limited. With more than a decade of work experience in Insurance and Financial Industry, his key strength lies in meticulous and strategic planning and implementation of radical concepts for the overall development and diversification of Insurance Broking.



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The Road Ahead



GOVIND A. SHOREWALA

President's Office

SP JAIN SCHOOL OF GLOBAL MANAGEMENT

THE INDIAN STARTUP ECOSYSTEM OUTLOOK

The Indian Startup-Ecosystem stands today as the 3rd largest in the world, only behind USA & China. It is home to 31 unicorns, such as Paytm, OlaCabs & Oyo, that are now expanding their global presence. In the last 3 years, about USD27 billion has been invested in the Indian startup ecosystem. India's GDP has declined over the last 5 years but that hasn't dampened the startup world which continues to grow. As an active participant of the startup ecosystem, having invested in over 15 startups (directly and via funds) I share my outlook for the India startup ecosystem, focusing on the funding and the startup side and share trends and evolutions that in my opinion will increase the probability of success of individual startups and cumulatively the ecosystem.

Funding aka risk capital is the lifeblood of any startup system. Slowly but steadily the funding funnel for the startup ecosystem is getting deeper and broader. The total funding number may not show, given the disproportionate impact of late stage/large deals having an impact but it is evidenced given the following-

1. Growth of transactions platforms such as Letsventure & Angelist - These platforms are making angel investing mainstream given the simplicity of investing via them and minimum ticket-size being low single digit lakhs per investment. Given their economies of scale they have built a strong in-house capability to execute the legal and other due-diligence. Over time they have evolved and have a strong network of angel investors who in many cases act as leads and represent the larger group of investors. I share an excerpt of Shanti Mohan, Co-Founder & CEO lets venture's mail to members of the platform sent on 10th Feb 2020 "It's has been an amazing start for us as we broke our deal numbers of all years. We closed 10 deals this month, with an average time of 3 days for every $100k being raised. It is a validation of the power of the platform and validation of the amazing support we get from Syndicate Leads and investors on the platform. Stealth mode, investor thesis matching seems to be working very well for us."
2. Growth of Indian (General or Specialist) VC Funds such as Sixth Sense Ventures, Equanimity Ventures, Roots Ventures - These funds founded by individuals/teams who were earlier professionals in large Indian/Global MNC's have also had a big impact in broadening and deepening the funnel. These managers bring their expertise, relationships and experience to the table and early success of funds like Sixth Sense ventures have established a strong ground for future home-grown fund managers. Another noteworthy development has been Indian angels such as Sanjay Mehta, Anirudh Damani, who given their success with their investments starting their own funds and deepening their commitment to the Indian startup space.
3. Growth of Participation of global players - Large global players such as Softbank, Tiger Global, and Sequoia participating at various stages of the Indian startup ecosystem has created a strong breeding ground for entrepreneurs as well as homegrown fund managers.

4. Further trends seen in the funding space has been the large funds getting in earlier on ventures such as Sequoia Surge, the use of deal syndication to broaden angel participation & funds focusing on areas of expertise such as consumer funds and so on.

My outlook on the funding is optimistic in the short and medium run and neutral long run as it will depend on factors such as India's economy, regulations, successful exits, growth in the number of unicorns, focus on profitability and corporate governance. Funds will continue to evolve themselves from being simple investors to deeper partners who leverage their network & experience to increase the probability of their investments success.

If funding the funding side of the ecosystem has become broader, deeper and matured the entrepreneur/startup side has followed. Growth in the number of homegrown unicorns, growth in institutions/individuals providing support/incubation at early stage and a larger funding pool has made it easier to be an entrepreneur. It has also become sexier being an entrepreneur given the associate media coverage with platforms such as YourStory, Forbes 30 under 30 and so on. I have noticed certain trends in the startup/space which I share below and I believe has led to an increase in the probability of success in for the startup.

1. Growth of Second time founders - Given that the Indian Startup ecosystem has been active for about a decade there have already been a number of entrepreneurs who have either successfully or unsuccessfully built and exited their first/second startups. There has been a surge in second/third time entrepreneurs who are building their next venture and given their prior experience and learning there is a higher probability of success. Examples of second time entrepreneurs are Kunal Shah (Cred), Jitendra Gupta (Amica Pay)

As an active participant of the startup ecosystem, having invested in over 15 startups (directly and via funds) I share my outlook for the India startup ecosystem, focusing on the funding and the startup side and share trends and evolutions that in my opinion will increase the probability of success of individual startups and cumulatively the ecosystem.

2. Focus on profitability - Profitability as a metric along with growth is now becoming a primary focus for startups and investors. Given why startups like Wework and Oyo have been in the news along with tepid listings of Uber and other startups in the USA, growth at any cost is no longer the only mantra. Quoting Vijay Shekhar Sharma "Paytm's growth is divided into three segments. The first three years were all about finding the right product-market fit; the next three were about revenue and monetisation. The last phase will be about profitability and free cash flows."
3. Sector focus - The startup ecosystem in India heavily focusses on a few sectors at a given time. In that time multiple startups in that exact/similar space build their businesses deep and compete and at the same time multiple funds back different startups in the same space. For e.g.in CY 2019, 28.6% of the total funding amount was in Fintech startups, followed by transport & logistics. This ensures focus and deep exploration of a certain space leading to better outcomes and higher probability of success.
4. Startup-founders becoming investors - Surviving at the early stage is the most challenging for a startup given the uncertainties and risk involved for a founder who is finding a market fit and raising money and building a team, all at the same time. Founders of startups that have succeeded/faced liquidity events are now becoming investors. This is extremely positive as having someone who has gone through the same journey as your investor/mentor/friend can be invaluable. Sachin Bansal (Flipkart), Aakrit Vaish (Haptik), Kunal Shah (Freecharge) are entrepreneur angels.

Given how funding and startups are both evolving to increase the probability of success I strongly believe that the Indian startup ecosystem will continue to grow and succeed in the future. To end I credit newsletters, emails and/or reports of organizations such as YourStory, Livemint, Letsventure & Startup India which have helped me build my outlook.

Govind Shorewala is an active investor across the financial markets. He has invested in 15+ Indian startups over the last 2 years. Professionally he works at the SP Jain School of Global focusing on strategy, special projects and student experience. Prior to SP Jain Global he was an entrepreneur in the financial services and trading space in Myanmar. He is a graduate of the London Business School, UK. Outside of work his interests lie in football, cinema and Indian politics.

The Road Ahead



ASHWINI KUMAR MATHUR

Principal Real Estate

MIRAE ASSET INVESTMENT MANAGERS (INDIA) PVT. LTD.

INDIAN REAL ESTATE - A SECTOR IN TRANSITION

Historically, real estate development was highly fragmented and localised business with real estate demand being serviced by neighbourhood developer firms. Residential developments were small with inefficient designs and without any amenities. Office and retail developments were integrated and concept of stand-alone office developments was limited to fewer building in the central business districts. Organised retail was absent and high streets were locations which catered to customers need for shopping. Real estate development was and continues to be a family driven business with limited presence of corporate or institutional developers. Entry barriers to the sector were limited, and hence industry participants came from diverse set of background such as land aggregators & real estate brokers, civil contractors to manufacturing firms much to the detriment of the sector.

Two events were catalyst in getting the sector the much needed boost viz the opening of the sector to Foreign Direct Investment ("FDI") and growth in office demand from occupiers in the information technology sector. FDI brought in the much needed capital to augment the capital base of developers along with transparency and some international best practices in construction management. The sector has cumulatively received in excess of USD 25 billion since April 2000 and the same has been absorbed across real estate asset classes including lately in ready built commercial operating assets. Foreign investors' are driven primarily by high development yields and equity multiples in India with most of the FDI being concentrated in the top 7 cities in the country. The sector received a major boost with the growth in office space demand from information technology ("IT") sector and this sector continues to be demand enabler for all other real estate classes, specifically in cities with significant IT operations such as Pune, Hyderabad, Chennai and Bangalore. The nature of private equity capital has also changed from small private pools of capital to longer term capital from sovereign and pension funds which augur well for the industry. The sector has transformed with quality of built space improving viz residential apartments with amenities, higher efficiency office buildings and malls combing pleasures of shopping and entertainment including efforts to build environmentally sustainable buildings. The entire real estate eco-system has been positively impacted due to the above two catalyst.

The real estate sector today presents a mixed bad; Tepid residential sales co-exists with record office leasing, while organised retail and warehousing segments continue to attract investor attention. This sector has seen several structural changes,

primarily, the enactment of Real Estate (Regulation and Development) Act, 2016 ("RERA") that has brought about a fundamental shift in the way the residential segment would function going forward. This single piece of legislation is a game changer amidst a pan India mistrust of the real estate developer community. For a segment with rock solid fundamental in the form of huge unmet demand in housing units, estimated at an excess of 10mn units, driven by demographic changes and rapid urbanization, fiscal incentives for house purchase including additional incentives for affordable housing, should ideally have led to a situation of robust housing sales, however, residential segment has witnessed stagnant sales, reduced launches and an overall negative sentiment. Thinly capitalised developers augmented financing through customer pre-sales and private debt to complete projects and often external funds were diverted to buy land (raw material for the industry) or use it for other purposes' other than for completing the projects on hand. The above led to developers' launching multiple ill-conceived projects beyond their capacity to develop and sell, and the across the country, home buyers were left to face the painful consequence of paying housing rent and equated monthly instalments on home loans for projects that were never delivered or delayed. This scenario is significantly responsible for the woes in the residential segment with home buyers turning negative on under construction projects.

Real estate development was and continues to be a family driven business with limited presence of corporate or institutional developers. Entry barriers to the sector were limited, and hence industry participants came from diverse set of background such as land aggregators & real estate brokers, civil contractors to manufacturing firms much to the detriment of the sector.

Real estate is a capital intensive business with back-ended returns and depending on development size and complexity, a typical project could take minimum 3 to 5 years for returns to be generated for capital providers. Amidst a slowdown in the sector, the last few years saw aggressive lending by non-banking finance companies ("NBFC's") to real estate developers across development cycle. Finance, through various innovative structures, was made available including funding for land acquisition (typically costing 18-20% pa) along with a certain portion of loan towards general corporate purposes resulting in numerous instances wherein debt capital was dumped on unviable projects or non-serious players resulting in projects getting stuck mid-way. As long as the refinance of debt was available (until the IL&FS implosion), the underlying problems were hidden and now we are witnessing a scenario of stalled projects and lack of financing as most of the NBFC's having curtailed builder loans to shore up their own capital. Thankfully, the situation is slowly and steadily improving.

The Government, being a significant stakeholder in the sector, has gone the extra mile for helping revive the sector by announcing slew of measures such as liquidity support to the NBFC sector, extending tax benefits to developers of affordable housing projects apart from enhanced interest deductibility in case of purchase of affordable homes apart from continuing the Credit Linked Subsidy Scheme under Pradhan Mantri Awas Yojana to affordable home owners from economically weaker section, lower income group and middle income group categories. Further, the establishment of special window for completion of construction of affordable and mid income housing projects with a target corpus of INR 25,000cr will provide the necessary last mile financing to net worth positive projects to release the much needed residential real estate from stalled projects.

Other segments of the real estate sector continue to do well viz commercial office segment, driven primarily by space absorption in the information technology sector, organised retails spaces in the form of mall development and warehousing sector which is witnessing tremendous capital allocation from developers intending to

create the bedrock of new modern warehousing. Gross office leasing exceeded 60mn sft in 2019 in India, a historical high, indicating serious expansion by corporates. Cities such as Hyderabad and Bangalore lead the office absorption charts with appx 35-40% of Pan India absorption. The passage of the nationwide Goods and Services Tax law as well as the continued boom in the e-commerce industry, provided the much needed impetus to the hitherto unorganised warehousing sector in the country with several greenfield ventures being launched, backed by long term foreign capital, to create modern warehousing facilities. This segment represents a new growth story, akin to the office development phenomena witnessed almost 15 years back. Hospitality is another segment with occupancies and average room rates witnessing an upward trend on the back of improving business fundamentals.

Newer real estate concepts are emerging that hold the potential to disrupt traditional real estate eco-system such as co-working, co-living and student housing. Each of these concepts has seen huge private equity capital being provided to players intending to scale operations across the country. Co-working aims to provide flexible and modern working spaces to individuals and corporates alike and has become popular amongst the freelance and start-up community. Co-living, specifically the executive living, is taking the concept of paying guest accommodation to a different dimension with fully furnished and professional managed homes for migrant white collars professionals. Similar enthusiasm is being witnessed in the student housing segment which was previously left to education providers to manage as an ancillary activity.

The Way Forward

The changing landscape of development would witness consolidation in the sector with only serious players remaining in the business owning to tougher compliance environment, demanding customers' and costly finance. The residential segment would see developers' rightly focussing on the "affordable " category and creating a differentiated offering keeping end user demand. A healthy and vibrant real estate sector can be a pillar of economic growth due to its multiplier effect on the overall economy.

Ashwini Kumar Mathur is Principal Real Estate at Mirae Asset Investment Managers (India) Pvt Ltd and has more than a decade of real estate experience across real estate investments, consultancy & valuations and asset management in India as well as overseas. He leads the equity real estate investment initiatives at Mirae Asset India and is responsible for origination and closure of office and hospitality acquisitions in India. The views expressed in this article are personal.

The Road Ahead



DEVIKA CHAWLA
Associate with the Strategic Investment Research Unit



KARTIKEYA SAIGAL
Consultant with the Strategic Investment Research Unit

Invest India

FORGING A NEW INDIA

The story of the world's fifth largest economy is impressive, to say the least. It is the story of a journey that has scaled new heights with each passing day. Since the economic liberalisation of 1991, the Indian economy has been growing rapidly with its GDP growth rate averaging 7 percent in the last few years. In just a short span of seven decades, India has not only spearheaded the information technology (IT) revolution of the early 2000s but is also driving global growth today. On the back of solid structural reforms and macro-economic stability, India's growth story has just begun. We are currently a USD 2.94 trillion economy, ambitiously aiming to be USD 5 trillion economy by 2024. The 'New India' growth story is defined by its economic journey, characterised by momentous growth, record levels of inward investments from across the world and export figures that are rising by the day.

Over the decades, our foreign direct investment equity inflows have seen consistent growth. Standing at USD 44.37 billion in 2018-19, backed by relaxed FDI norms while also improving its performance in the World Bank's Ease of Doing Business (EODB), India stands at 63rd rank, becoming the top-ranked country in South Asia for the first time.

Since the onset of the 21st century, India's services industry has outshone itself and its global competitors. The journey which began as a preferred outsourcing partner for American IT and telecom companies, is now marked by India's superior position in all domains of IT including Big Tech (machine learning, internet-of-things, artificial intelligence among others). Besides IT, key sectors that have been leading India's services revolution include e-commerce, fintech and healthcare.

Globally, the last decade has been a testament to what is commonly understood as the internet revolution. The emergence and spread of internet connectivity across the world has brought new technologies like smartphones and 4G, thus, transforming the retail, commerce, banking and healthcare spaces. Today, India is home to the world's second largest internet user base, accounting for 12 per cent of all global internet users. This means a huge market with immense opportunities for commerce where internet penetration is rising by the minute and smart devices are becoming commercially viable.

becoming commercially viable. This transformation has been led by industry giants like Amazon and Flipkart. It is no surprise then that e-commerce today is among the largest contributors to India's GDP- presently standing at 10 per cent and generating 8 per cent of India's total employment. With the future of retail and consumption looking bright, the market is set to scale new levels of expansion and penetration and result in booming levels of investments.

The second major services sector undergoing a revolution is the financial services or fintech which has seen record inward investments and is growing at an unprecedented scale. At 87 per cent, India has the highest fintech adoption rate globally. Complemented by the government's big-ticket digital literacy and financial inclusion initiatives like Digital India, Jan Dhan Yojana and Direct Benefit Transfer (DBT), over USD 14.1 billion worth digital transactions have been processed through Unified Payments Interface (UPI).

With a shift towards making India a largely digital economy with better human development outcomes, the government is inculcating technological and scientific advancements to provide better healthcare to its citizens. This can be seen in many ways. From a 370 per cent increase in the country's healthcare expenditure during 2000-2014 to a 45 per cent growth in total investments received by India's multiplying health care start-ups depicts that the industry is at an inflexion point, keen on innovating and investing in R&D to achieve better quality of life for its vast population.

> Over the decades, our foreign direct investment equity inflows have seen consistent growth. Standing at USD 44.37 billion in 2018-19, backed by relaxed FDI norms while also improving its performance in the World Bank's Ease of Doing Business (EODB), India stands at 63rd rank, becoming the top-ranked country in South Asia for the first time.

While our excellence in the services industry has been proven time and again, we are now looking to make India the next manufacturing hub for the world. In keeping with our ambitious goals for the future, India is aiming to increase the share of manufacturing sector to 25 per cent of its GDP by 2022. The Indian government, acknowledging this evolution of the economy and understanding the need to fund and promote initiatives has been making multi-pronged efforts to incentivise growth. This is best witnessed in the role of major manufacturing sectors like automobile, construction, defence and renewable energy infrastructure in accelerating economic progress.

The Indian automobile industry, for instance, has seen a growing presence of global automobile Original Equipment Manufacturers (OEMs) in the manufacturing landscape which, in turn, has significantly increased the localization of their components. This has made India the preferred designing and manufacturing base for most global auto OEMs in terms of both, local sourcing and exports. Contributing 7.1 per cent to the GDP and employing 35 million people, the automobile industry and its components have seen a growth rate of 14.5 per cent with many ongoing investible projects.

The construction industry is another major industry dominating the Indian manufacturing space. With a contribution of 9 percent to India's GDP, it is one of the largest employers in the country, employing over 51 million people. Nearly 10,000 kilometres of highways worth USD 16.6 billion were constructed in 2017-18 covering 20 private sector projects and over a thousand government construction projects. Some of the most prominent ones are the Bharatmala Pariyojana, aiming to construct a massive road network of over 66,000 kilometres across the country and the Sagarmala Pariyojana, a huge nationwide initiative for development of India's ports. These projects are a mere reflection of the enormous potential of the India's infrastructure space, providing golden opportunities for foreign and domestic investors to collaborate.

With the fifth largest defence budget in the world, worth over USD 62.8 billion, defence manufacturing is ripe for investments and growth. India has a 15 per centshare in the global arms imports while our exports are worth USD 1.5 billion. As recently envisioned by Prime Minister Narendra Modi, India is keen on doubling its defence exports in the next five years. The sector has been given a significant boost by the creation of two major defence corridors - in Uttar Pradesh and Tamil Nadu. While the former focuses on economic testing and latest R&D facilities, the latter ensures a more mature manufacturing ecosystem for arms and ammunitions.

India is relentlessly pursuing policy changes to help industries flourish- best understood by the historic decision to cut corporate tax rates to 25.17 per cent (from the previous 34.94 per cent), making India one of the most competitive markets for investors in the world. The rollout of the Goods and Services Tax (GST) can easily be the most sweeping tax reform since India's independence in 1947; bringing India under a single national tax and making India a vast common market of over 1.35 billion people.

The world's most awarded investment promotion agency is a pro bono one-stop-shop for any investor interested in the India story. Invest India's expert team handholds investors through their entire investment cycle from business planning to aftercare management. We collaborate with individual investors, multilateral organisations and investment promotion agencies in other countries to create sustainable investible projects following global best practices. Since 2015, Invest India's role in facilitating foreign investments has been in total synchronicity with the government's plans to make India a USD 5 trillion economy by 2024. Invest India plays a pivotal role in telling India's growth story to the world - encouraging them to invest and expand their presence in one of the world's largest economies.

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Team | Invest India

The Road Ahead



RUPA NAIK

Senior Director

WORLD TRADE CENTER MUMBAI (WTC)

FOREIGN TRADE: ACCELERATING INDIA'S GLOBAL INTEGRATION

India's foreign trade is a key pillar of Indian economy and contributes significantly to the growth and development of the nation. Over the years, international trade has expanded and diversified phenomenally creating a strong base for India's integration with the global economy. Foreign trade has acted as a key instrument for employment generation and helped speedy growth of the MSME sector in the country. India is presently known as one of the most important players in the global economic landscape. Its trade policies, government reforms and inherent economic strengths augur well for the country's trade and economic uplift in the coming years.

India has successfully developed a strong and cohesive trading relationship with its bilateral partners through strategic trade agreements. By invigorating "Make in India" and integrating "Assemble in India for the world" India can raise its export market share to about 3.5 per cent by 2025 and 6 per cent by 2030. India's exports contracted for a fifth month in a row by 1.8 per cent in December 2019 to USD 27. 36 billion and imports declined 8.9 per cent to USD 357.39 billion, leaving a trade deficit of USD 118.10 billion.

India's top 10 trading partners during 2019 - 20 (April - November) jointly account for more than 50 per cent of India's total trade. USA, China, United Arab Emirates, Saudi Arabia, Hong Kong, Iraq, Singapore, Germany, South Korea and Switzerland are the top ten trading partners of India. With two top trading countries i.e. USA and United Emirates, India has consistently run trade surplus since 2014-15. On the other hand, India has trade deficit continuously since 2014-15 with respect to other major trading partners i.e. China, Saudi Arabia, Iraq, Germany, South Korea, Indonesia and Switzerland. India had trade surplus with Hong Kong and Singapore till 2017-18, before it changed to trade deficit in 2018-19.

An increase in merchandise exports to GDP ratio has a net positive impact on BoP position. Merchandise exports as per cent of India's GDP dropped to 11.3 per cent in the first half of 2019-20 from 15.7 per cent during the period 2009 - 14. The slowdown of world output has had an impact on reducing the export to GDP ratio, particularly from 2018-19 to first half of 2019-20. The appreciation in the real exchange rate has also contributed to the declining exports to GDP ratio.

The impact on India's exports of a slowdown in world output and appreciation of India's real exchange rate has been an outcome of increasing integration of India's exports with global value chains. Petroleum, Oil and Lubricants (POL) exports have a dominant share in India's export basket. Growth in non-

POL exports dropped significantly from 2009-14 to 2014-19. This is a challenge that needs to be addressed in times to come.

An increase in the merchandise imports to GDP ratio has a net negative impact on the BOP position. Over the years the ratio has been declining for India entailing a net positive impact on the BOP position. Crude oil imports have a large presence in the import basket that correlates India's total imports with crude prices.

China continues to be the largest exporter to India followed by USA, UAE and Saudi Arabia. In recent times, Hong Kong, South Korea and Singapore have also emerged as significant exporters to India.

India's service exports have however consistently hovered between 7.4 to 7.7 per cent of GDP reflecting the steadiness of this source in contributing to the stability of BOP. The composition of service exports has remained largely unchanged over the years. Software services constitute the bulk of services exports at around 40-45 per cent, followed by business services at about 18-20 per cent., travel at 11-14 per cent and transportation at 9-11 per cent. The relative shares of the various constituents of service imports have also not varied much with business services constituting about a third of service imports, which is in consonance with the rising level of economic activity in the country.

The latest value for high-technology exports in India was $20.27 billion as of 2018. High technology exports are products with high R&D intensity such as aerospace, computers, pharmaceuticals, scientific instruments, and electrical machinery. In 2018, high technology exports accounted for 9.01 per cent of India's total manufactured exports.

> Foreign trade has acted as a key instrument for employment generation and helped speedy growth of the MSME sector in the country. India is presently known as one of the most important players in the global economic landscape.

Export growth remains subdued with external demand weakened by slowdown in global investment, output and heightened trade tensions, notwithstanding resilient service exports. Increase in service imports is inevitable with increasing foreign direct investment (FDI) and "Make in India". India has a diversified export basket; petroleum products, precious stones, drug formulations & biological, gold and other precious metals continue to be top exported commodities, with fastest growth seen in drug formulations & biologicals in 2019-20 (April - November). Crude petroleum, gold, petroleum products, coal, coke & briquettes constitute top import items, with fastest growth seen in electronics in 2019-20 (April to November).

MSME Sector

Export promotion from the small-scale sector has been accorded a high priority in the India's in India's export promotion strategy. The capability of Indian MSME products to compete in international markets is reflected in its share of about 34% in national exports. In case of items like readymade garments, leather goods, processed foods, engineering items, the performance has been commendable both in terms of value and their share within the MSME sector while in some cases like sports goods they account for 100 per cent share to the total exports of the sector. To further strengthen this sector the government has provided a slew of incentives to streamline exports from this sector.

Thrust to exports

The Government has been providing major incentives to the exporting community to invigorate India's exports. Some of the major schemes initiated by the Government for providing thrust to Indian exports include: Merchandise Exports from India Scheme (MEIS), Services Exports from India Scheme (SEIS), Export Promotion Capital Goods (EPCG) Scheme, Advance Authorization Scheme, Duty Free Import Authorization (DFIA), Interest Equalization Scheme (IES), Deemed Exports Scheme, Export Oriented Units (EOU), / Electronic Hardware Technology Park (EHTP)/ Software Technology Parks (STP)/ Biotechnology Parks(BTP) Scheme, Trade Infrastructure for Export Scheme (TIES), among others. Further, new schemes like Direct Port Entry (DPE), for exports are facilitating faster clearance at the ports.

Trade Facilitation

As a member of the World Trade Organization (WTO), India ratified the WTO Agreement on Trade Facilitation (TFA) in April 2016 and subsequently constituted a National Committee on Trade Facilitation (NCTF), to commence the implementation. In order to optimize the gains of trade facilitation, National Trade facilitation Action Plan (NTFAP-2017-20) containing specific activities to further ease out the bottlenecks to trade was released on 20th July, 2017 with an overall vision of the Government to see India as an active facilitator of trade. Since then the NCTF has played an important role in reducing the high cost of imports and exports so as to integrate the country's cross- border trade with the global value chain. As a result of consistent trade facilitation efforts, India has improved its ranking from 143 in 2016 to 68 in 2019 under the indicator " Trading across borders", which is monitored by World bank in determining the overall ranking of around 190 countries in the Ease of Doing Business Report.

Regional Trade Agreements

With the forces of globalization intensifying, India has entered into bilateral trade arrangements with many major regional groupings/ countries. The Free Trade Agreements (FTAs) already in force include India - Sri Lanka FTA, Agreement on SAFTA, India Nepal Treaty of Trade, India Thailand FTA, India - ASEAN CECA, India- South Korea CEPA, India - Japan CEPA, India - Malaysia CECA. Some of the Preferential Trade Agreements under implementation include: Asia Pacific Trade Agreement (APTA), SAARC Preferential Trading Agreement (SAAPTA), India - Afghanistan, India - MERCOSUR, India - Chile. Further, India is negotiating trade agreements with EU, Mauritius, Singapore, Israel, among others.

Towards $5 trillion economy

High export growth rate is crucial for India's goal of becoming a $ 5 trillion economy by 2025. To achieve this objective, the economy will have to grow at an average rate of 8-9 per cent during the next few years. India's exports will have to grow at an even higher rate. Further, the Budget 2020-21 announced an ambitious plan to convert each district into an export hub. The Ministry of Commerce and Industry through Directorate General of Foreign Trade (DGFT) has been engaging with States/Union Territories to initiate preparation and implementation of a District Export Plan (DEP) specific to each district in every State/Union Territory through an institutional structure at the district level. The DEP will include an assessment of a district to identify the current export profile and its further potential in the district. The District Export Plan will include the support required by the local industry in boosting their manufacturing and exports with impetus on supporting the industry from the production stage to the exporting stage. Nine states and union territories have notified the constitution of a State Level Export Promotion Committee (SLEPC). The States / Union Territories that have notified the constitution of the SLEPC are Delhi, Uttarakhand, Tamil Nadu, Telangana, Karnataka, Himachal Pradesh, West Bengal, Tripura, Maharashtra, Goa and Gujarat.

Rupa Naik, Senior Director, MVIRDC World Trade Center Mumbai.

With over 30 years of professional experience with trade organizations, presently Rupa is with MVIRDC World Trade Center Mumbai and specialises in trade promotion and trade facilitation. This include helping state and central governments in policy formulation, representing various issues confronting development of trade to conceptualizing trade programmes and leading trade delegations to countries across the world. Have excellent interaction with diplomats, overseas trade agencies, ministries of trade and commerce as well as Indian embassies overseas. During this period, she has facilitated in signing over 300 MoUs with international industry associations, government and trade promotion organizations to accelerate international trade by creating opportunities to MSMEs.

She is instrumental in interacting with over 330 WTCs in nearly 100 countries to create trade channels for Indian MSMEs across the world and explore global markets. She also led the establishment of WTCs in Jaipur, Bhubaneshwar and Goa. Some of the significant international trade promotion programmes conceptualised her include Global Economic Summits and World Trade Expo, held annually at the WTC Mumbai. Women's Empowerment and promoting their business locally, nationally and globally is not a dream but her ardent goal.

Today's world is a digital world. Understanding the importance of digital communication, she leads the social media presence of WTC Mumbai on various social media platforms including Facebook, Twitter, LinkedIn and YouTube for brand building and marketing.

The Road Ahead

TRADE PROMOTION COUNCIL OF INDIA (TPCI)

Centre for Advanced Trade Research (CATR).
CATR is the research wing of Trade Promotion Council of India (TPCI)

TRADE OUTLOOK 2020

Merchandise exports and imports by regions- 2018

- A major exception to the trend in export was North America, where a buoyant US economy contributed to strong import growth of 5.0% in 2018. "Other regions", encompassing Africa, the Middle East and Commonwealth of Independent States saw export growth accelerate to 2.7%. South America's trade flows have continued to recover gradually but have been buffeted by weaker external demand and domestic economic shocks.
- Heightened trade tensions cannot explain all of the trade slowdown in 2018 but they undoubtedly played a significant role as consumers and firms anticipated new trade measures taking effect.
- Trade and output were also influenced by temporary shocks, including the federal government shutdown in the United States and production problems in the automotive sector in Germany toward the end of the year. These shocks are more likely to have transitory effects, causing consumers and businesses to postpone purchases and production decisions rather than cancelling them outright.
- World commercial services trade recorded strong growth in 2018 for the second consecutive year. Goods related services registered the strongest expansion, with an 10.6% increase in current dollar terms. The weakest growth was in transport sector.

Outlook for trade in 2019 and 2020

- Forward-looking trade indicators have turned negative in recent months, including the WTO's World Trade Outlook Indicator (WTOI). In February the WTOI index fell to 96.3, below its baseline value of 100, signalling slowing trade growth into the first quarter of 2019.
- Air freight shipments also started the year on a soft note, with international freight tonne kilometres (FTKs) down 3.0% year-on-year in January, according to statistics from the International Air Transport Association (IATA).
- A measure of global export orders derived from purchasing managers' indices has also fallen to 49.1 in February, below the threshold value of 50 separating expansion from contraction. Taken together, these data point to continued trade weakness in the first half of 2019.
- If current GDP forecasts are realised, the WTO expects the volume of world merchandise trade to grow by 2.6% in 2019, with stronger expansion in developing economies (3.4% for exports, 3.6% for imports) than in developed ones (2.1% for exports, 1.9% for imports).
- World trade growth should pick up slightly in 2020 to 3.0%, with growth in developing economies (3.7% for exports, 3.9% for imports) again outpacing developed countries (2.5% for exports, 1.9% for imports) (Table 1). Most risks remain firmly on the downside, with upside potential hinging on a relaxation of trade tensions.

TRADE PROMOTION COUNCIL OF INDIA (TPCI)

TPCI is an apex trade and investment promotion organization, notified in the Foreign Trade Policy. TPCI is also recognized and supported by the Department of Commerce, Govt. of India. We work towards facilitating the growth of Indian industry with global investment & trade opportunities. The council provides strategies for expanding business internationally, by organizing specialized business events and simultaneously working with the Government by providing policy suggestions which are essentially based on inputs collated from research and industry stakeholders.

What TPCI does?

- Advanced Trade Research: - Supporting India's trade policy and economic diplomacy through research.
- Trade Promotion: - Exploring international trade opportunities in untapped markets and promoting new exporters.
- Trade Facilitation: - Identifying bottlenecks and bridging the gap between industry and authority by continuous interaction.
- Investment Promotion: - Exploring scope and facilitating investment in potential business and sectors.

Persons behind establishing TPCI
Mohit Singla,
Founder and Chairman of Trade Promotion Council of India



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Anand Mahindra, Chairman of the Mahindra Group, started Project Nanhi Kali in 1996 with the objective of providing quality education to underprivileged girls in India. Designed to support economically and socially disadvantaged girls to complete 10 years of schooling, the project has transformed the lives of more than **400,000** Nanhi Kalis over the past 2 decades. Along with the opportunity to rewrite her future, every girl is provided with 360 degree support which includes **daily academic support, an annual school supplies kit** as well as **feminine hygiene material.** Girls in secondary school are also given access to **digital tablets** preloaded with audio-visual educational content. Through regular engagements with the families of the girls and community stakeholders, the project creates **conducive girl friendly ecosystems** in underserved tribal, rural and urban poor regions of India. Currently operational in **17 districts across 8 states,** Project Nanhi Kali affirms that girls receive continuous nurturing, dignity, education and care, enabling them to grow into empowered young women.

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K. C. Mahindra Education Trust, Cecil Court, 3rd Floor, Near Regal Cinema, Mahakavi Bhushan Marg, Mumbai-400001. Tel: +91 22 2289 5500.
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Enclosed is my cheque no. _____ dated _____ for ₹_____ drawn on _____

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Feature

A DEEP-DIVE INTO INVESTMENTS IN INDIA



Dr. TIRTHANKAR PATNAIK

Chief Economist

NATIONAL STOCK EXCHANGE OF INDIA

> The investment cycle in India has been characterized by a sharp slowdown in private corporate capex, but an even sharper attempt at revival by the Government, so much so that the total projects under implementation in the economy has continued to rise, despite the downward trend in GDP growth.

Investment activity has seen a significant drop over last 10 years

Investments in India, expressed as Gross Fixed Capital Formation (GFCF), have increased substantially over the last 20 years, having grown at a CAGR of ~12% during this period, in-line with the nominal GDP growth rate. Growth has varied vividly over this period, however, with average nominal investment growth over the last eight years falling to 8.2% from 18.2% in the previous eight-year period and has been much lower than the nominal GDP growth of 11.2%.In real terms, average investment growth over the last eight years stood at 5.1% vs. average real GDP growth of 6.7%, with a large part of the drop attributed to decline in household investments.

Investment rate (GFCF to GDP in nominal terms) is expected to fall from the pre-GFC peak of 35.8% in FY08 to near 19-year lows of 27.5% in FY20. Clearly, investments have been a drag on India's overall economic growth over last several years, with nominal GFCF growth in FY20 pegged at a 19-year low of 1.9%.

Figure 1: Nominal GFCF vs. nominal GDP growth

Average nominal growth in GFCF over the last eight years at 8.5% has lagged nominal GDP growth of 11.2%

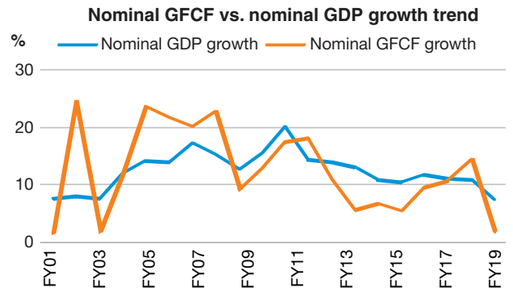
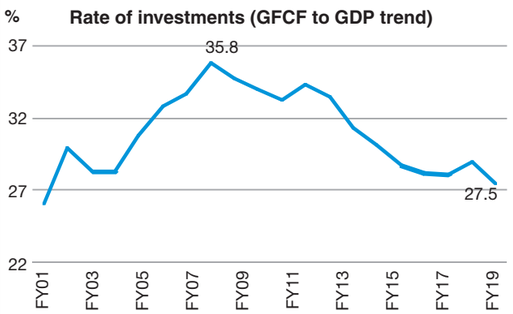


Figure 2: GFCF to GDP trend

Investment rate has been steadily falling since the Global Financial Crisis and now hovers at a 19-year low of 27.5%



Source: CMIE Economic Outlook.

A large part of this decline in investments has been on account of lower investment activity in the industrials sector, largely attributed to lower investments in manufacturing and electricity. Investments in services sector have also moderated, albeit at a slower pace. Accordingly, the share of industrial sector to total GFCF has fallen from 35.8% in FY08 to 32.7% in FY18, with share of services sector rising from 55% to 62% during the same period.

Investment data from CMIE's Capex paints a similar picture

The CMIE's Capex database tracks investment projects on a quarterly basis since FY95 across the lifecycle and status of projects. The analysis of this data shows that new project announcements saw a strong 33% growth during 2005-2010-the period that saw bulk of investments in the economy thanks to easy domestic and global liquidity, but has been declining since, having fallen by ~13% on an annualised basis over the last four years largely led by a sharp drop in the Government projects.

Stalling of projects continues to remain a concern even as the extent has declined over the years. Fewer project announcements have led to a muted 1.4% CAGR in outstanding projects over the last five years. Notably, Government has focused more on completing the ongoing projects, as witnessed from a strong 27% CAGR in value of such projects over the last five years. Under implementation projects have seen a modest 4.4% CAGR growth over the last five years, largely led by robust growth in Government projects even as such projects in the private sector have seen a drop over this period.

Figure 3: Sector-wise GFCF share of GDP (%)

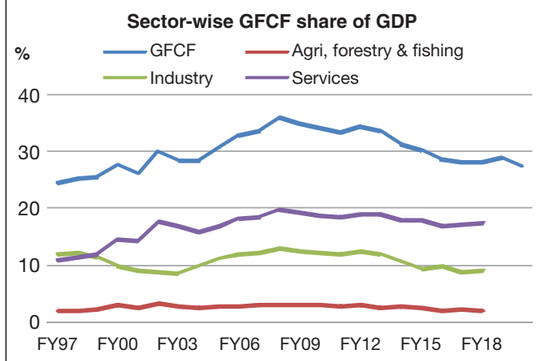
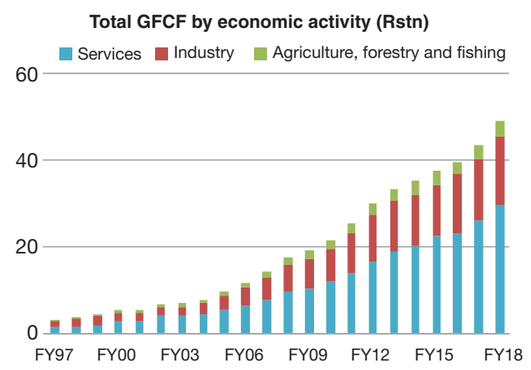


Figure 4: Sector-wise share to total GFCF (Rs trn)



Source: CMIE Economic Outlook.

Figure 5: Quinquennial growth of investments by status and ownership (% CAGR)

Project Status-Total	1995-00	2000-05	2005-10	2010-15	2015-19
New projects announced	-5.4	9.7	33.2	-2.1	-12.7
Completed	12.2	-0.3	30.8	0.8	12.0
Dropped	17.8	-6.7	36.8	25.1	10.0
Revived		105.7	22.9	1.8	
Outstanding	8.4	9.4	34.1	6.1	1.4
Under implementation	6.7	6.6	35.6	9.1	4.4
Project Status-Government	**1995-00**	**2000-05**	**2005-10**	**2010-15**	**2015-19**
New projects announced	2.0	2.2	42.4	0.5	-19.9
Completed	8.6	10.5	14.3	1.8	26.6
Dropped	47.0	1.9	23.3	21.0	17.4
Revived		80.1	32.0	-6.2	
Outstanding	13.6	10.1	26.1	10.0	4.3
Under implementation	12.7	9.4	24.7	14.2	10.4
Project Status-Private	**1995-00**	**2000-05**	**2005-10**	**2010-15**	**2015-19**
New projects announced	-10.7	15.5	28.1	-6.1	-3.9
Completed	14.8	-10.4	48.0	0.3	2.2
Dropped	9.3	-13.8	49.5	27.1	6.7
Revived		258.4	10.0	17.3	
Outstanding	2.6	8.5	44.0	2.5	-1.8
Under implementation	0.7	2.3	49.8	5.0	-3.7

Source: CMIE Capex. *Data extracted on January 24, 2020.

However, some green shoots are visible, as new project announcements, particularly in the private sector, saw a pick-up in the December-2019 quarter. Further, value of dropped projects has been declining for some time now.

Figure 6: New project announcements-Government vs. Private sector

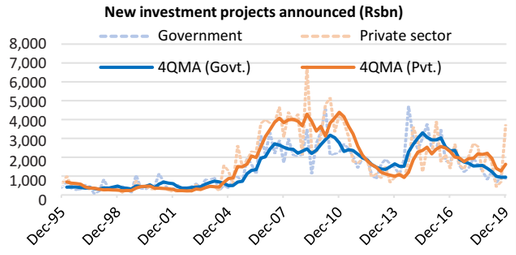
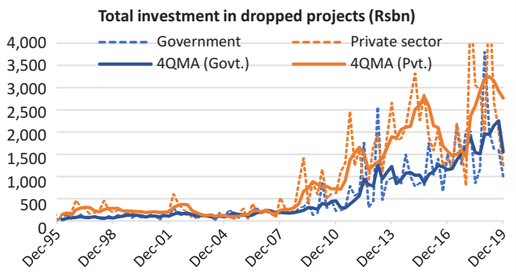


Figure 7: Dropped projects-Government vs. Private sector



Source: CMIE Capex. *Data extracted on January 24, 2020.

The investment cycle in India has been characterised by a sharp slowdown in private corporate capex, but an even sharper attempt at revival by the Government, so much so that the total projects under implementation in the economy has continued to rise, despite the downward trend in GDP growth.

Transport services and chemicals & chemical products have led the investment cycle

Even as new project announcements have been coming off at an aggregate level, sectors like transport services and chemicals & chemical products have recorded a significant growth during this period. Average annual investment in transport services has increased from Rs 3.8trn during 2006-10 to Rs 5.6trn during 2016-19, largely happening in roads sector. Average investment in chemical & chemical products sector has also increased substantially from Rs 1.2trn during 2006-10 to Rs 2.1trn during 2016-19, largely attributed to petroleum products.

Sectors where new project announcements have fallen significantly over the last 10 years include metal & metal products and electricity, particularly conventional energy even as renewable electricity has seen massive surge in investments over last several years.

Figure 8: Projects under implementation-Government vs. Private sector

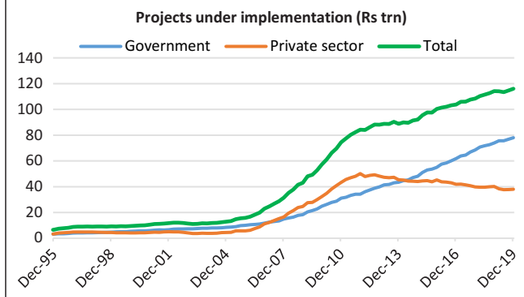
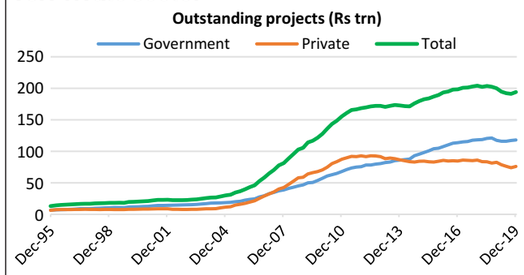


Figure 9: Outstanding projects-Government vs. Private sector



Source: CMIE Capex. *Data extracted on January 24, 2020.

Figure 10: Sector-wise average new investment projects announced

Average (Rsbn)	1996-00	2001-05	2006-10	2011-15	2016-19
Non-financial sector	**3,157**	**3,832**	**22,511**	**16,591**	**16,169**
Manufacturing	**1,096**	**1,119**	**5,861**	**4,311**	**4,826**
Food &agro-based products	36	44	173	180	259
Textiles	49	42	189	95	144
Chemicals & chemical products	527	260	1,216	1,358	2,082
Consumer goods	25	18	78	38	172
Construction materials	63	34	437	474	276
Metals & metal products	219	597	2,626	1,354	798
Machinery	37	29	474	314	511
Transport equipment	97	54	586	374	387
Miscellaneous manufacturing	43	43	82	124	198
Mining	**105**	**194**	**618**	**492**	**391**
Electricity	**987**	**967**	**7,149**	**4,408**	**2,692**
Services (other than financial)	**901**	**1,335**	**6,274**	**6,019**	**7,229**
Hotels & tourism	32	64	177	184	87
Wholesale & retail trading	130	100	403	341	185
Transport services	505	718	3,763	4,144	5,626
Communication services	78	66	466	120	167
Information Technology	32	102	505	145	120
Miscellaneous services	123	286	962	1,086	1,044
Construction & real estate	**69**	**216**	**2,610**	**1,361**	**1,030**
Irrigation	**71**	**106**	**283**	**241**	**256**
All industries	**3,228**	**3,938**	**22,795**	**16,832**	**16,424**

Source: CMIE Capex. *Data extracted on February 10, 2020.

Factors behind investment slowdown

Some of the key factors behind investment slowdown over these years have been a) tight financial conditions triggered by ballooning non-performing assets in the banking sector and worsened by the more recent crisis in the shadow banking sector, b) fall in capacity utilisation amid slowdown in domestic and global demand, c) policy disruptions, and d) policy uncertainty hurting investment sentiments.

Forward indicators show a decline in capex spending by NSE-listed companies

The analysis of actual capex incurred by NSE-listed non-financial companies as well as IBES[1] estimates of capex over the next couple of years shows that while capex picked up over the last three years in anticipation of a pick-up in demand, the estimates for next two years point to a decline in the capex spending. Further, the contribution of private companies to total capex is expected to fall from ~69% in FY19 to ~65% in Fy21.

Figure 11: Capex growth of non-financial companies in Nifty 50 and Nifty 500 Index

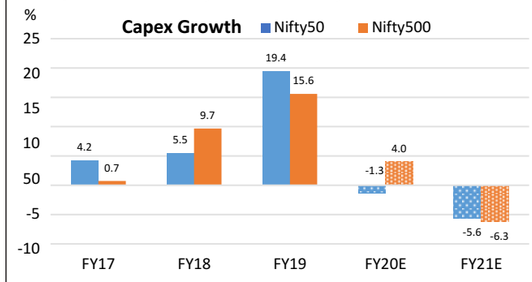
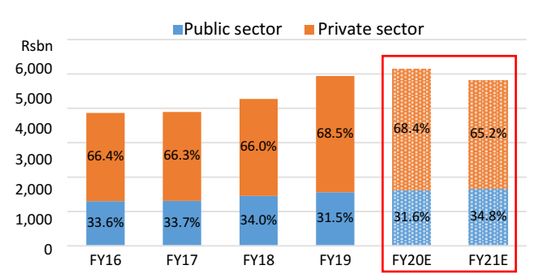


Figure 12: Capex by public and private sector non-financial companies in the Nifty 500 Index



Source: RefinitivDatastream, NSE. *The estimate is based on capex data of 40 non-financial companies in Nifty 50 in the IBES database. For Nifty500, the analysis is based on 314 non-financial companies whose data is available in the IBES database between FY17 and Fy21.

Investment cycle unlikely to revive in a hurry

We expect investment activity in the economy to remain on the side-lines over the next few years as bottlenecks arising from weak demand environment and tight financial conditions are unlikely to go away in a hurry. Several policy initiatives have been taken by the Government and the RBI to address demand as well as supply side constraints. That said, low tax collections provide limited space for an expansionary fiscal policy. On the positive side, a 135bps cut in policy rates by the RBI, coupled with several liquidity easing measures taken over the last few months, both conventional and not, is expected to alleviate supply-side stress to some extent. Nevertheless, any meaningful revival in investment activity remains contingent on a pick-up in consumption demand and consequent increase in capacity utilisation.

1. Institutional Brokers' Estimate System (IBES) is a database that provides analysts forecasts on company performance and is maintained by Refinitiv.

Tirthankar Patnaik is Chief Economist at the National Stock Exchange of India. He has close to 20 years of experience in Indian capital markets, academic research, credit research in macro and sector strategy, quantitative finance and consumer banking.

He started his career as a researcher at IGIDR and worked on a number of academic and corporate projects in the area of econometrics and quantitative finance, followed by a stint in consumer banking analytics as an analyst with the Global Consumer Group of Citibank in India and Europe. His next focus area was equity strategy for institutional clients, initially with Citigroup Global Markets as India equity strategist, and then with Religare Capital Markets Ltd, as the India Strategist and Chief Economist. In his last assignment prior to joining NSE, he was the Chief Strategist and Head of Research for India, at Japan-based Mizuho Bank.

He has a PhD from the Indira Gandhi Institute of Development Research, Mumbai, where his area of research was high-frequency finance and market microstructure. He also has an MSc in Statistics, and a BSc in Mathematics, both from the University of Madras.

Feature

EQUITY BROKING AND MARKET OUTLOOK



VIVEK MAHAJAN

Head - Equity Research

ADITYA BIRLA MONEY LTD.

ADITYA BIRLA CAPITAL LTD.

> While Indian equity markets will be driven by various factors some key factors (internal and external) are highlighted. Domestically, economic growth, inflation, earnings and government policy will drive the market.

Every investor is familiar with the ups and downs of equity markets. Whether you're a seasoned investor or someone just starting out in Equity broking, it's always a good idea to take a long term view towards investing and trading. We sat down with Mr. Vivek Mahajan from Aditya Birla Money Limited, the Stocks and Securities arm of Aditya Birla Capital for his view on things moving forward in the Global Market and its impact on the Indian economy.

What do you think what will be the role of technology in stock market?

Technology in rapidly advancing in every sphere of life. What was unthinkable a few years back is being done routinely now. Technology in Stock Markets is no different. Stock markets have come a long way from involving a lot of paper work to digitizing nearly all the processes. Also, information dissemination (which is core to investments) has also become extremely seamless courtesy tech in stock markets. Moreover, various facets of broking like clearing, depository, trading systems have all undergone paradigm shifts when it comes to technological advancements and are likely to continue with technological advancements.

What are the structural changes required for the Indian economy to take advantage of the shift in global supply chain?

The past two years have seen a new narrative being player in global economic landscape, the narrative of trade war. US has been running a sizeable trade deficit with China for the past many years and the Trump administration has explicitly stated that it would want to bring it down in the years to come. This has resulted in hectic negotiations between the two nations leading in a trade deal, the phase one of which was signed late last year and negotiations are on-going for a phase two agreement. This has put the major producers/ manufacturers of the world on notice as now they cannot afford to be found off guard with regards to supply disruptions. Additionally, the recent outbreak of CoronaVirus in China has made it amply clear to the major manufacturing companies of the world that they need to have a plan B when it comes to their supply chain or risk loss of production/business. While India provides a perfect alternative to China as a manufacturing hub, things won't come easy for India to woo the global biggies. First, India has to undertake major labour reforms, land reforms and regulatory easing. While after the corporate tax rate cut, we are nearly at par with other Asean countries, our factor markets are still encircled with rigid regulations. Given the commitment of the government to get India within top 50 countries in terms of Ease Of Doing Business, it can be expected that the government over the course of its term will carry out the factor market reforms. That in turn can trigger a manufacturing revolution and catapult India's growth to the top of the league amongst larger nations.

What do you think about medium and long term growth prospect and are Indian markets disconnected from the Indian economy?

India is not alone in this global slowdown phenomenon. Globally we are seeing very low GDP growth but markets are hitting new highs. There is obviously flight to safety in terms of companies you want to own now, not just here but globally as well. While after a prolonged easing cycle, monetary policy is on pause mode, probably RBI is saving some ammunition for the rainy day because bringing the growth projections rate down from 6.9% to 5% in a quarter or so is frightening in itself. Maybe they are keeping the powder dry for a bigger rate cut later to help with the budget as that comes through.

As far as disconnect between Indian markets and economy is concerned, at 4.5%, India's GDP grew at the slowest pace in the last 6 years in Q2FY20. While this might have sparked off debates among scholars, politicians and economists alike, stock market investors seem to be least bothered. Giving two hoots to the macro-economic data some front line stocks are partying at Dalal Street. Companies such as Reliance, ICICI Bank HDFC Bank and HUL are hovering around their all-time highs-at a time when the Indian economy is gasping for fresh air in the form of reform impetus.

What do you think about the internal and external environment that will impact the market and the Indian Economy?

While Indian equity markets will be driven by various factors, I will mention some key ones (internal and external). Domestically, economic growth, inflation, earnings and government policy will drive the market. The Modi government began to reboot the economy early in its first tenure. Inflation has since trended lower, by 5 ppts on average, over the prior decade. Amendment to the RBI Act makes inflation containment an irreversible process. Lower inflation is structural and attributable to farm productivity improvement and should take interest rates to near all-time lows by 2020. But disinflation is growth negative in the near term and its adverse impact is visible in rural incomes. Moreover, forcing banks to recognise NPLs and the landmark Insolvency and Bankruptcy Code have helped cleanse their balance sheets. These moves also triggered creative destruction across several sectors such as real estate, infrastructure and telecoms. The outcome is improved corporate behavior and curtailed crony capitalism. The ongoing consolidation of state-owned banks from 26 to the proposed 11 by March 2020 has curtailed expansion, but makes the banking system healthier overall to drive future growth. GST implementation not only simplifies India's tax regime (cutting the categories from over 100 to 5) but also reduces inter-state trade barriers. While the expected tax-compliance gains are still elusive, the shift to a more organised structure has impacted small businesses negatively. The Real Estate Regulation Act has also made business difficult for non-compliant smaller developers. In addition to hurting non-bank financial companies, a weak housing market has suppressed job creation. Thankfully, improving affordability and falling inventory should help the industry bottom-out soon.

Externally, it will be all about trade wars, US Fed's monetary policies and major trade pacts across the world. And of course, the recent outbreak of CoronaVirus disease (Covid-19) will need to be monitored carefully, as it can have some impact on global financial market conditions particularly in the near term.

Where do you see broking industry 3-5 years from now?

As far as the broking industry is concerned volumes continue to move towards the derivatives segment. However, with most stocks in the derivatives segment having been brought under compulsory delivery, it is likely to result in slightly reduced speculation and hence volumes might come under slight pressure in this segment. Also, the industry is bound to move to fee based model from the currently predominant transactional model. As far as the investment advisory/asset management side of the broking industry is concerned, past couple of years have been tough with most PMSes seeing significant drawdowns leading to increased redemptions. There was also a shift from smaller PMS services providers to larger ones. Moreover, with the change in SEBI regulations regarding the minimum ticket size for a new investor (from 25L to 50L) and net worth requirements for the PMS service provider, some flows might move to the MF industry and within PMS, it may move to the larger brokerages or PMS houses.

Vivek Mahajan, Head - Equity Research, Aditya Birla Money Ltd., Aditya Birla Capital Ltd.

He has over 23 years work experience spanning Equity Sales and Equity Research. Vivek has handled institutional and Ultra HNI customers at IIT InvesTrust Ltd, HDFC Securities, IL & FS InvestDirect and HSBC InvestDirect - some of the top Institutional Brokerages. Vivek is an Engineer with post-graduation qualification in Management.

Feature

LEGAL ENVIRONMENT FOR FOREIGN INVESTORS IN INDIA - SOME RECENT CHANGES



BAHRAM N. VAKIL

Founding Partner

AZB & PARTNERS

> "In the Union Budget 2020, the Government announced plans to increase the investment limit of FPIs in corporate bonds from 9% to 15% and plans to open certain categories of Government securities for FPIs as well."

The Government of India has introduced a number of reforms in the last few years to improve the investment climate and the ease of doing business in India. India's foreign direct investment ("FDI") equity inflows reached approximately US$ 446 billion between April 2000 and September 2019, with maximum contribution from services, computer software and hardware, telecommunications, construction, trading and automobiles sectors.[1] Further, India has improved its ranking in the World Bank's Doing Business Report, and has jumped from 77th position in 2019 to 63rd position in 2020 (out of 190 countries).[2]

Also noteworthy is that as per the 'Global Investment Trend Monitor report' compiled by the United Nations Conference on Trade and Development, India had FDI inflows of US$ 49 billion in 2019, which was a 16 per cent increase from the US$ 42 billion recorded in 2018. On the other hand, the EU saw a decline in FDI inflow in 2019, and the US and China had no growth in FDI inflows in 2019 as compared to 2018.[3]

Recent FDI Related Liberalization in India:

A brief overview of the latest FDI related reforms announced in September 2019 is described below.

Contract Manufacturing:

The current FDI policy did not have a specific provision for contract manufacturing. In order to provide clarity, it has been decided to allow 100% FDI under the automatic route in contract manufacturing. With an escalating trade war between the US and China, the opening up of contract manufacturing brings about certainty for companies looking to set up an alternate manufacturing hub in India. Several global brands looking to expand their presence in the Indian market, such as Apple, Swarowski, and Ikea, as well as pharmaceutical firms that depend on contract manufacturers for drug production, will benefit from the new rule.

Single Brand Retail Trading ("SBRT"):

(i) The earlier FDI policy provided that 30% of the value of goods had to be procured from India if the Indian entity engaged in SBRT had FDI of more than 51%. Further, the applicable local sourcing requirement had to be met as an average during the first 5 years, and, thereafter, annually towards the India operations. This has now been amended to provide that all procurements made from India by the SBRT entity for the 'single brand' will be counted towards the local sourcing requirement, irrespective of whether the goods procured are sold in India or exported. Further, the current cap of considering exports for 5 years only is proposed to be removed. Additionally, the Department for Promotion of Industry & Internal Trade issued a clarification on February 25, 2020, which clarified, inter alia, that sourcing of goods from units located in a special economic zone in India by single brand retail traders would qualify as sourcing from India.

(ii) Under the earlier FDI policy, SBRT entities were required to operate through brick and mortar stores before starting retail trading through e-commerce. This has now been amended to provide that single-brand retailers will now be able to start online sales before they set up brick and mortar stores, but will need to open these within 2 years.

(iii) Under the earlier FDI policy, only such part of the global sourcing was counted towards the local sourcing requirement, which was over and above the previous year's value. This has now been amended to provide that the entire sourcing from India for global operations will be considered towards the local sourcing requirement (and not only the incremental value).

(iv) Under the earlier FDI policy, as regards the local sourcing requirement, incremental sourcing for global operations by the non-resident entities undertaking SBRT, either directly or through their group companies, was also counted towards local sourcing requirement for the first 5 years. This has now been amended to provide that 'sourcing of goods from India for global operations' can be done directly by the entity undertaking SBRT or its group companies, or indirectly by them through a third party under a legally tenable agreement.

Other Sectors:

India has now allowed 100% FDI in commercial coal mining. Prior to the latest change, 100% FDI was permitted only in captive coal mining. The Government has also allowed up to 26% FDI in digital news and current affairs media on a prior approval basis.

Recent Key Developments for Foreign Portfolio Investors:

The Securities and Exchange Board of India **("SEBI")** had on September 23, 2019 notified the (Foreign Portfolio Investors) Regulations, 2019 **("2019 FPI Regulations")**, which repealed the former SEBI (Foreign Portfolio Investors) Regulations, 2014 **("2014 FPI Regulations")**. A few noteworthy changes introduced under the 2019 FPI Regulations are set out below.

(i) Unlike the 2014 FPI Regulations, under the 2019 FPI Regulations there are only two categories of Foreign Portfolio Investors **("FPIs")**, i.e. Category I FPI and Category II FPI. All Category I FPIs under the 2014 FPI Regulations are deemed to have been registered as Category I FPIs under the 2019 FPI Regulations and all Category III FPIs under the 2014 FPI Regulations are deemed to have been registered as Category II FPIs under the 2019 FPI Regulations. All FPIs registered as Category II FPIs under the 2014 FPI Regulations are deemed to have been registered either as Category I FPI or Category II FPI under the 2019 FPI Regulations, depending on the eligibility criteria met by such FPIs under the 2019 FPI Regulations.

(ii) Certain categories of FPIs under the 2014 FPI Regulations were required to meet broad based fund criteria, and were correspondingly required to submit protected cell companies /multi class share vehicles declaration, provide details relating to generic type of investors in the broad based fund, seek approval of the designated depository participant for adding a new share class if the fund had segregated portfolios for each share class, seeking conditional registration for regulated funds, etc. Under the 2019 FPI Regulations, the requirement to meet broad based criteria, including all erstwhile related requirements, has been done away with.

(iii) The requirement under the 2014 FPI Regulations for the FPI applicant not being an opaque structure has been done away with. Entities established as protected cell company, segregated cell company or with equivalent structures, which provides for ring-fencing of asset and liabilities across cell, share classes etc. can now seek registration as a FPI, subject to the FPI providing beneficial ownership details for each share for each cell/fund/sub-fund/share class/equivalent structure that invests in India.

It may also be noted that in the Union Budget 2020, the Government announced plans to increase the investment limit of FPIs in corporate bonds from 9% to 15% and plans to open certain categories of Government securities for FPIs as well.

Recent Key Developments in Arbitration:

Arbitration proceedings in India are governed by the Arbitration and Conciliation Act, 1996, as amended by the Arbitration and Conciliation (Amendment) Act, 2015 and further recently amended by the Arbitration and Conciliation (Amendment) Act, 2019 **("Arbitration Act").** As per the amendments, in case of international commercial arbitrations with a seat in India, arbitral tribunals are required

to dispose of matters as expeditiously as possible and endeavor to provide an award within a period of 12 months from the date of completion of pleadings (which are required to be completed by parties within 6 months). Further, a fast track procedure has been introduced, allowing parties to agree to disputes being resolved within 6 months on the basis of written pleadings, documents and submissions only, thereby foregoing the need for an oral hearing.

India is a contracting State to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards **("New York Convention")**. Even though no timelines are provided for enforcement of foreign award under the Arbitration Act, Courts have held that foreign awards should be enforced expeditiously. The Supreme Court in its recent judgment in Vijay Karia and Ors. v. Prysmian Cavi E Sistemi Srl and Ors. noted that the signatories to the New York Convention had recognized that a key theme of the Convention was a pro-enforcement 'bias'. This entailed that the burden of proof must lie on the party challenging enforcement and the extremely limited grounds set out in the Convention ought to be strictly construed to demonstrate that such grounds were applicable to any given case. The Supreme Court also notably held that foreign awards directing transfer of shares to non resident entities at a discount are enforceable, notwithstanding the fact that they may be contrary to particular provisions of the Foreign Exchange Management Act, 1999.

Recent Key Developments in Company Law:

In August last year, the Ministry of Corporate Affairs relaxed certain conditions for issuance of shares with differential rights as to dividend, voting or otherwise (**"DVR Shares").** The requirement of having distributable profits for the last 3 years has been done away with, and a company may issue DVR Shares subject to the condition that the voting power in respect of DVR Shares of the company must not exceed 74% of the total voting power. This has replaced the earlier provision which specified that the DVR Shares could not exceed 26% of the total post-issue paid up equity share capital. This development would allow companies without a profitability track record to raise funding and allow promoters of Indian companies to retain control while raising capital with DVR Shares.

In the Union Budget 2020, the Government has also announced its intention to decriminalize civil offences under the Companies Act, 2013. These amendments would be welcomed by foreign and domestic investors alike, and reflects the Government's earnest attempt to improve the business environment in India.

Concluding Remarks:

The FDI and FPI related reforms are a part of the Government's larger scheme to remove market access barriers for foreign firms, encourage investments, and get India's economic growth back on track. Further, the recent changes in arbitration law and the pro-enforcement stance of Indian Courts with respect to foreign arbitral awards is also encouraging for foreign investors. Generally, across the globe, foreign investment rules are tightening, propelled by rising populism, protectionist tendencies, trade wars and security concerns. However, in India, there is a clear recognition for the need of foreign capital, both debt and equity, and the Indian Government is doing its very best to encourage foreign investment.

1. Quarterly factsheet published by the Department for Promotion of Industry and Internal Trade, available at <https://dipp.gov.in/sites/default/files/FDI_Factsheet_September2019_01January2019.pdf>
2. Press release of the Press Information Bureau, Government of India, available at <https://pib.gov.in/newsite/PrintRelease.aspx?relid=193994>
3. Available at <https://www.thehindubusinessline.com/economy/india-among-top-10-fdi-recipients-attracts-49-billion-inflows-in-2019-un-report/article30608178.ece#>

Bahram N. Vakil is a Founding Partner of AZB & Partners.

He has advised extensively numerous Fortune 500 companies as well as other multinational companies on foreign investment aspects.

He was a member of the Bankruptcy Law Reform Committee (which provided and led to the implementation of the IBC) and is currently serving on a Standing Committee that proposes amendments to the IBC including a Sub-Committee to examine a new law for Financial Service Providers. He is also on a Reserve Bank of India Task Force on the Development of the Secondary Market for Corporate Loans.

He has served as a member on various other high-level government committees for financial reform, foreign direct investment and securities market reform.

He is recognized by Chambers and Partners, Legal 500 and other publications as a leading lawyer for restructuring, banking & project finance in India.

Feature

STRONG CASE FOR SEPARATION



PRITHVI HALDEA

Founder-Chairman

PRIME DATABASE

> "It was further argued that in India, families own significant holding in companies and are as such committed to creating wealth, that the family values determine how the business operates, deals with stakeholders and builds trust. It was also put forth that some of the best businesses built in the country have been promoter-led."

History was yet again repeated recently…long period of public consultation before enactment of a new regulation, the enactment of the new regulation with a set deadline, vociferous demands for its scrapping or deferment, and finally yielding to these voices? The requirement to fulfill separation of the posts of chairperson and that of managing director (MD) by 1st April 2020, initially by the top 500 listed companies, has recently been deferred by two years, without assigning any reason. To me, the interests of the minority shareholders have once again been compromised.

Way back in 2014, SEBI had suggested that listed companies should voluntarily consider separating the posts of chairperson and that of managing director (MD) as a good governance practice. Not many took this seriously.

In October 2017, the Kotak Committee also made this recommendation. SEBI not only accepted it, but while framing the regulations in May 2018, it went two steps ahead stipulating that the chairperson should be a non-executive director and, most importantly, that the chairperson and MD should not be related. This requirement was to be fulfilled by 1st April 2020, initially by the top 500 listed companies (by market capitalization), thus giving sufficient time for implementation.

By December, 2019, nearly 50 per cent of the companies were yet to comply (247 out of 500). This included, besides many PSUs and banks, some large companies like Reliance Industries, ITC, Bharti Airtel, Wipro, Bajaj Finserv, Bajaj Auto, HCL, Piramal Enterprises, Lupin, Godrej Consumer and Adani Ports. According to nseinfobase.com, which is run by PRIME Database, 162 of the 500 companies still had the same person as the chairperson and MD while in another 52 companies, the chairperson and the MD were related. On the other hand, 215 companies still had an executive chairperson.

As the deadline came closer, strong voices started getting raised against this regulation. As a very high majority of companies are promoter-driven with control over both the management and the board, the restriction that the chairperson and MD cannot be related came especially under fire. Promoters argued that the Kotak committee did not recommend that the people holding the two posts should not be related.

It was argued that Indian businesses are structured differently, based upon the joint family system, where companies are founded and governed over generations, which distinguishes them from American and European businesses and that except for MNCs and PSUs, over 90 per cent of companies are family controlled. It was further argued that in the developed countries, power gets concentrated when the same person, with

insignificant holding, becomes the chairperson and MD of a company which is widely held, resulting often in scams and mismanagement.

It was further argued that in India, families own significant holding in companies and are as such committed to creating wealth, that the family values determine how the business operates, deals with stakeholders and builds trust. It was also put forth that some of the best businesses built in the country have been promoter-led.

A fear was further created that the new regulation will disrupt board structures and would be counter-productive in the Indian context. Slowing of the economy was used as a pressure point to do away with, or at least postpone, this regulation, with the dissent voices coming from big industrialists. Surprisingly, overload of compliance burden on corporates was cited as yet another reason. Strong representations were made to the Ministry of Finance and Corporate Affairs, as also reportedly to the Prime Minister's Office.

The reality, however, is that recent years have been full of boardroom debacles. The truth is that most promoters have, for long, treated their companies as proprietary firms, with all powers (and most gains) concentrated with the family, taking decisions which are beneficial to them. They have become 100 per cent owners of cash flows, despite their part-shareholdings. As such, the primary benefit of this new regulation was to get more professionals into the corporate framework rather than let promoters run the show. Separation would have allowed the board of directors to act more independently.

Mr. Kumar Mangalam Birla, who has had separation of roles in his companies for long, publicly supported the new regulation. Mr. Anand Mahindra too joined the fray by becoming the non-executive chairperson of Mahindra and Mahindra.

According to Birla, the difference in the two roles is very stark. While there is no evidence that such companies have done better, the reason to separate the two posts is that the roles of the chairman and MD are different. The chairperson obviously is looking at the broader issues, long-term plans, strategic directions and external environment as also reviewing and monitoring the financial performance and setting the board agenda. The MD's role is to set the strategy and execute it, focus on the management on a day-to-day basis and be answerable to the board of directors. The chairperson has substantial powers as he sets the board's agenda and facilitates board meetings. Since the board chairperson is superior to the MD, the MD has to get the chairperson to approve all major moves. Since the board of directors is tasked with evaluating the MD and setting his remuneration, separating their roles eliminates potential conflicts of interest. An independent chairperson is also more likely to challenge the MD and enable him or her to think differently about certain issues. As a philosophy, if two people are related, they should not work in the same function.

Promoters, of course, are wary of having an outsider as a chairman. This was the major protest point by the corporates, and had in fact caused a lot of panic. The promoter assuming a non-executive chairperson role is rare. On the other hand, no promoter would like to have a chairperson who does not follow his wishes. What started to happen and would have happened is that in most cases, the promoter would have continued with the role of MD and appointed an independent director as the non-executive chairperson. Regrettable, since most of the independent directors are "nominees" of the promoter, this would have also become a simple checkbox compliance.

It may be debatable that since nearly 90 per cent of businesses in India are controlled by families, a mere restriction on having related persons as chairperson and MD is inadequate and this decision should, in fact, be left to the shareholders. However, since the families are the dominant shareholders, it would be the families only that will decide, obviously in their own favour. It was also argued that a company's board is best placed to take a call, which again means the same thing as almost all boards are populated by the families or by independent directors chosen by them.

SEBI has decided to defer the implementation of this regulation by two years. Since the holding structures of most companies would not change much, the same arguments would then be put forth.

It would have been great for SEBI to not defer this requirement. SEBI had done extensive consultations on this subject for many years and the Kotak Committee report also was opened to public comments. Only then had SEBI taken a considered view of this. Regulations often hurt good companies; no regulation will make everyone happy. What has to be seen is the greater good.

This reminds one of the similar noises that were raised in 2005 when SEBI mandated induction of independent directors on the boards of listed companies. The India Inc. arguments then too were that the board composition should not be dictated by any regulation, but left to the shareholders, which meant the promoter family itself. SEBI, however, stood firmly on this requirement.

We have seen the mockery that many companies have made of the independence of the independent directors, or of the requirement of having a woman director by placing their related women on the boards, or with the requirement of board evaluation where every director scores 10/10. One wonders what will be the fate of the new requirement for independent directors to pass an exam.
In this case too, with the target to comply with the SEBI directive in sight, some of listed companies hurriedly promoted one of their independent directors to the chairperson position. The family nominated a director (who was close to promoter family, but designated as an independent director) to the chairperson position, thereby assisting the promoter family to achieve a status quo. In some other cases, where the company had a professional MD, the promoter designated himself as the non-executive chairman but continued to exercise executive control. Of course, such moves would not have served the real intent of the SEBI directive.

After all, how much can law mandate? While the "separation" regulation alone would not have taken care of all what is wrong with governance, it was surely an important step. It is clear now that the regulators are focusing on the board of directors as the key instrument for corporate governance. And hence its composition itself- independent directors, women directors, proficiency tests et al has been and will continue to be under a lot of focus.

It is hoped that this 2-year deferment is brought under review sooner and the regulation is made effective by beginning of the next fiscal. At the least, the regulation should not get any more extensions. It is also hoped that India Inc. shall realize the value of this move, and implement this regulation much before its due date.

Incidentally, another scramble that is likely to happen is about the next 500 companies requiring to have at least one independent woman director by 1st April, 2020 (the top 500 listed companies were required to fulfil this clause by 1st April 2019). But a separate story on that!

Prithvi Haldea is the Founder-Chairman of PRIME Database.

Feature

CYBER SECURITY FOR MEMBERS AND BROKERS



SHIVKUMAR PANDEY

Group Chief Information Security Officer (CISO)

BSE Ltd.

> In continuation to the same and to support the eco system BSE felt need of extending the experience and learning from its state of the art Cyber Security Operation Centre to its Member and Broker community and came up with Member SOC Program which is in line with SEBI Cyber Security Framework for market participants as recommended by SEBI.

BSE has pioneered in implementing Next Generation Cybersecurity Operation Centre 24*7 with state-of-the-art tools and technology to protect its digital assets and users from ongoing and continuously evolving threat vectors in Information Technology Domain. BSE has implemented Niche Technologies like, User Behavioural Analysis, Anti-APT, Deception technology, Real-time Forensics and many more. The USP of Next Gen SOC is implementation of **Cognitive Analysis and Artificial Intelligence** which Gain deeper insights by ingesting and understanding extensive data sources, including human generated data (for example, blogs, websites, research papers)

In continuation to the same and to support the eco system BSE felt need of extending the experience and learning from its state of the art Cyber Security Operation Centre to its Member and Broker community and came up with Member SOC Program which is in line with SEBI Cyber Security Framework for market participants as recommended by SEBI. With this BSE will support and provide highest level of Monitoring and Alerting of Cyber Security Alerts to the subscribed brokers for any known unknown threats in their environment through 24*7 Next Gen Cyber Security Operation Centre and will provide necessary guidance to overcome from such alerts. It will help brokers focus more towards business rather worrying for the threats to their IT Systems.

SEBI Cyber Security Framework

SEBI has come up with Cyber Security circular for a secured Trading ecosystem in terms of people, process and technology which will require the Member Broker to comply with this policy. All Member Brokers would be categorized as below:

- TYPE I : Brokers who trade through exchange provided terminals such as NSE's NEAT, BSE's BOLT, MCX-SX's TWS, etc.
- TYPE II : Brokers who trade through API based trading terminals or Internet Based Trading (IBT) / Direct Market Access (DMA) / Security Trading using Wireless Technology (STWT) or Smart Order Routing (SOR) facility and who may also be TYPE I Brokers.
- TYPE III : Brokers who use Algorithmic Trading facility to trade and who may also be TYPE II Brokers.

Pillars of SEBI Cyber Security framework :

Governance	**Identification**	**Protection**
Monitoring and Detection	**Response and Recovery**	**Sharing of Information**
Training and Education	**Systems managed by vendors and MIIs**	**Periodic Audit**

BSE's Solution for Member Brokers

OUR MISSION

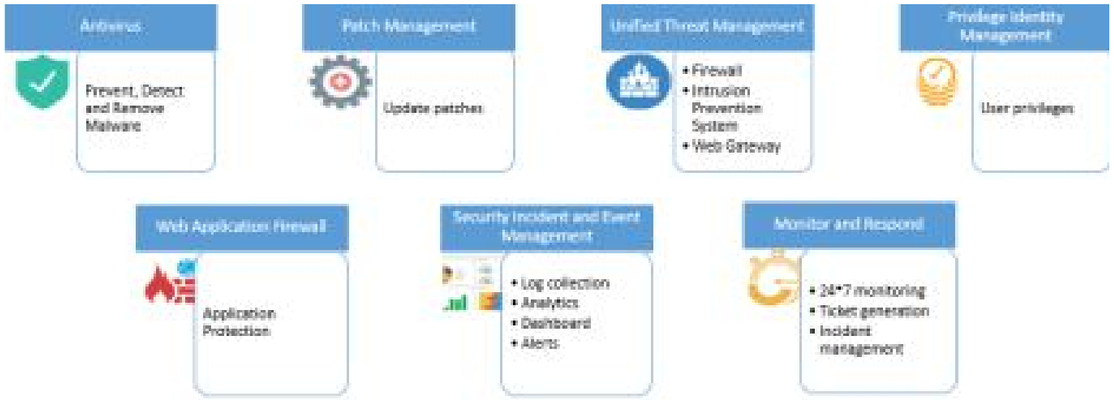
"Provide and maintain robust cyber security and cyber resilience framework to protect the integrity of data and guard against breaches of privacy"

In this regard, SEBI has empowered BSE's entity which is at least 51% owned by the Market Infrastructure Institutions (MII) to set-up Market SOC with the objective of providing cyber security solution for the member brokers. The compliance with the cyber security guidelines may be onerous for smaller member brokers because of the lack of knowledge in cyber security and the cost factor involved in setting up own Security Operations Centre (SOC).

Marketplace Technologies Pvt. Ltd. (Marketplace), 100% subsidiary of BSE, will be a facilitator for providing the services of Market SOC through a trusted third party. BSE will provide the Data Centre infrastructure for setting up of a market SOC. The trusted partner will provide 24*7 security incident monitoring and reporting. The partner will also manage the antivirus, latest patches and security infrastructure installed at broker premises.

Technologies and Services that will be offered:

The services offered by Marketplace Technologies (100% subsidiary of BSE Limited) as per the SEBI Cyber Security Framework are mentioned below. Apart from this, Marketplace Technologies is also providing niche and advanced cyber security tools, technologies, consulting and services. Additionally, Marketplace Technologies continues to expand its portfolio in cyber security domain.



You can Register your Interest by visiting following: Marketplace Website -https://msoc.mkttech.in/



Shivkumar Pandey is Group Chief Information Security Officer (CISO) in BSE Ltd. Shivkumar has 20+ years of industry experience in Cyber Security and IT Service Delivery across fast paced industries like BFSI, ITES & Telecommunication, he has been performing at leadership roles in Cyber Security across these organizations for past 19+ years. Prior to joining BSE Ltd as Group CISO, Shivkumar Pandey was associated with National Payment Corporation of India - CISO, Reliance JIO, SUD Life, Future Generali India, Kotak Mahindra, and TATA AIG. He has his Master in Information Management (MIM) and Bachelor of Engineering in Electronics & Telecomm from Mumbai University. He has in-depth understanding of securing Stock Exchanges Systems, Core Trading Systems, Core Insurance Systems, Core Banking Systems, and Payment Systems.

Feature

ROLE OF ARTIFICIAL INTELLIGENCE (AI) IN CAPITAL MARKETS



VINEET BHATNAGAR

Managing Director & CEO

PHILLIPCAPITAL (INDIA)

> Businesses have found countless ways to use the facility of AI - and almost all of them boil down to automating a task, and eliminating the need for human intervention to complete it. However, while standard automation simply follows a set of human-defined rules, AI retains more information about the tasks it has completed, and simulates human thinking to make subsequent decisions without any human intervention.

Artificial intelligence (AI) is the most significant technology of the 21st century. As far as AI is concerned, for the first time in recent history, we've observed a host of initiatives, strategies, and actions by dozens of governments round the world - with very different goals and approaches. Any company active today has to agree with artificial intelligence. AIs can replace existing business models, and they can be integrated into countless company-internal processes: marketing, production, accounting, sales, controlling, administration, personnel management etc. By the way, this is often the first driver of applied artificial intelligence: maximize profits and reduce costs.

AI powered Finance

Businesses have found countless ways to use the facility of AI – and almost all of them boil down to automating a task, and eliminating the need for human intervention to complete it. However, while standard automation simply follows a set of human-defined rules, AI retains more information about the tasks it has completed, and simulates human thinking to make subsequent decisions without any human intervention.

The global artificial intelligence in BFSI market is expected to reach $248 billion by 2026, registering a CAGR of 38.0% from 2019-2026. In financial institutions and other major finance industries, AI has become a core adaption of every single business and is expected to change the overall scenario of service offerings. The Financial service market has surrounded by an AI-based solution for countless traditional banking problems like increased capital demand. As an example, insurance companies are refining risk models to take care of customer satisfaction and client loyalty, with the assistance of advanced AI technological platforms.



Practical customer experience by automating the backend process to decrease human error, with the assistance of AI, is projected to drive the progress of the AI in the BFSI market. In addition, Robo-Advisors and Chatbots for financial products and smart wallets are a number of factors that fuel the market growth. Furthermore, risk mitigation, fraud detection, back-end office works with thousands of individuals processing customer requests are improved with the assistance of AI enabled technologies like Machine learning, Chabot's, and other such technologies, which boosts the expansion of the market. But, higher cost for implementation of AI technologies, a rise in security concerns, and inadequacy of trust while issuing customer data is predicted to restrain the market growth. New entrants like FinTech with advance features within the market, new initiatives in

government regulations, and existing traditional banking system provides lucrative occasions for artificial intelligence in BFSI market growth.

AI in finance and intellectual computing will notably transform their organizational structures. Adoption of AI in finance isn't to interchange workers, but to assist them to perform their jobs better. This may impact every job within the financial service sector also.

AI will change the financial industry on a far larger scale than what web or spread sheets did a couple of decades ago. Workers within the financial service sector will leverage machines to reinforce customer experience and augment decision-making. This may invariably cause the creation of the latest opportunities and jobs. Wealth Advisors and Relationship managers are taking the assistance of cognitive technologies to succeed in new levels of responsiveness and expertise. It'll enable them to rework client engagement and loyalty, drive operational excellence across capital markets, augment decision-making, insurance, banking, and assets management any many more.

Choosing virtual agents over digital channels that are empowered by cognitive computing can help financial organizations see meaningful transactions in convoluted areas like brokerage and mortgages. Using rational computing, the financial industry can now report fraud and risk management more professionally and excellently. Forward-thinking predictive analytics and integrating external and internal data is enabling the discovery of fraud and emphasize on proactive prevention. Operations and IT cost are the two parts where much of the financial industry struggle, in terms of both efficiency and certainty. Productivity gains are in demand and always given a considerable amount of spending from these areas. Rational computing is a new way of containing costs with exceptional optimization options which are likely through automation and cognitive tooling.

According to a recent report by the World Economic Forum, Artificial Intelligence has the potential to democratize access to capital across the worldwide economy by unlocking greater safety, efficiency, and performance in capital markets.

The rise of AI is predicted to assist create specialized digital tools that will rapidly transform the deal-making value chain by automating deal matching and investor matching processes and refining the accuracy of financial models. AI can also help create new capital and risk

management functions that will function key differentiators within the industry.

In crux, in the capital markets industry, AI has the influence to:

- Arrange advanced capital and risk management solutions by leveraging AI-powered solution
- Expand investment performance through contextual, smarter, AI-driven insights
- Streamline the deal-making process using automation and predictive analytics

There are three key long term drivers of change in the capital markets: monetary policy, regulation, and technology. Both monetary and regulatory policies have reached an inflection point. While technology never went away, for the last 10 years, 'innovation' has been a muted word in wholesale finance, but that's changing. It's time for technology to drive financial innovation again.

Whilst Artificial Intelligence has been about since the 1950s, modern machine learning and its practical application is new. Enlarged digitization of all information and therefore the flexible availability of calculating are new. Having the ability to automatically generate powerful predictive models from high dimensional unstructured data is new. The enterprise architecture to industrialize this technology is new.

Rather than backup exotic pricing models and derivatives trading, this point technology will reshape core business activities by transforming deciding and analysis. Some sales and trading activities are going to be fully automated. It'll be possible to serve more customers and manage more risk, more effectively. Distribution and intermediation will scale beyond the bounds of the 'firm-desk-broker' hierarchy with decision making less hooked into the intuition of the individual broker or salesperson.

Machine learning can help the organization generate knowledge and information irregularities that will create massive value for themselves and customers. We will still need skilled humans to think creatively and strategically. Customers will want to speak to trusted advisors. The partnership between people and technology will change dramatically, except for the foreseeable future it'll still be a partnership. The organizations which will find the proper balance between people and AI are going to be the winners in the emerging innovation cycle.

Vineet Bhatnagar is the Managing Director and CEO of PhillipCapital (India) & UAE and also manages business affairs of other PhillipCapital group companies in India. He has more than 25 years of professional experience in Banking, Financial services and Technology. This vast experience has allowed him to get an in-depth understanding of various listed and OTC markets such as equities, fixed income, currencies and commodities. He often appears on national TV's financial channels as market expert, where he is asked for his opinion on current events, financial market trend.

He is also an active participant in numerous domestic, global conferences and delivers presentations on financial markets.

Feature

KNOW YOUR KYC



NITHIN KAMATH

FOUNDER & CEO

ZERODHA / RAINMATTER

> As CEO of Zerodha and Rainmatter, I constantly get queries on KYC not only from other brokerage firms but also from startups trying to build a business around capital markets. We now have the experience of running completely online onboarding for nearly 4 years, having gone through multiple inspection cycles, and many instances where our KYC processes were scrutinized closely. With this experience, I thought of sharing what I think are the best practices to follow during the KYC process when allowing a customer to onboard completely online.

The KYC (Know Your Customer) process is the most important part of customer onboarding for any SEBI registered intermediary – Stockbrokers, Mutual Fund Distributors (MFDs), Investment advisors (RIAs), Portfolio Managers (PMS), Asset Management Companies (AMCs), and more. The intermediary is required to obtain KYC details of the customer like PAN, Proof of Identity (POI), Proof of Address (POA), Bank details, and also perform In-person verification (IPV). These need to be validated by the intermediary and uploaded to the KYC Registration Agency (KRA). The customer can then use the KYC details available with the KRA to start a relationship with any other intermediary avoiding duplication of effort.

For an intermediary, not following the required KYC process would mean violating PMLA (Prevention of Money Laundering Act) apart from also violating the requirement set by SEBI and exchanges. Since the KYC details once uploaded are used by other intermediaries as well, it is important for all intermediaries uploading information to follow the requisite steps during KYC. In cases of financial fraud, the intermediary who performed the KYC and uploaded information can have serious repercussions if the KYC process wasn't followed as mandated by SEBI.

Traditionally, the KYC process was physical with an executive representing the firm meeting the customer and validating all the details being provided. As you'd imagine, it was not just a lot more expensive to onboard a client but also slowed down the growth of the industry significantly. Over the last 5 years, thanks to DigiLocker (for original digital IDs and documents), IMPS (for penny drop bank validation), and SEBI's push towards digital onboarding, most client relationships today are started completely online without any executive having to meet customers in person. The digital process is not only faster but has a much better audit trail as compared to the physical alternative.

As CEO of Zerodha and Rainmatter, I constantly get queries on KYC not only from other brokerage firms but also from startups trying to build a business around capital markets. We now have the experience of running completely online onboarding for nearly 4 years, having gone through multiple inspection cycles, and many instances where our KYC processes were scrutinized closely. With this experience, I thought of sharing what I think are the best practices to follow during the KYC process when allowing a customer to onboard completely online.

The basic essence of KYC is to ensure that all the details provided by the customer are authenticated and verified against originals and that the details provided belong to a real person who is interested in opening an account. While this might seem weird for many, money laundering is a huge problem in this country and is usually done by impersonating someone else or creating Benami accounts. This is the reason KYC is an important part of PMLA. This post is in the context of how to have a completely online KYC process while making sure that no financial fraudsters can onboard on the platform.

Validating the authenticity

Like I explained earlier, the following are the details that are required from a customer for the KYC process that also needs to be validated.

- PAN details
- Proof of Identity (POI)
- Proof of Address (POA)
- Bank account information
- Person opening the account (In-person verification or IPV)

Before you read further, it is important to learn about **DigiLocker,** if you aren't already aware.

DigiLocker is a flagship initiative of the Ministry of Electronics & IT (MeitY) under Digital India programme. DigiLocker aims at 'Digital Empowerment' of the citizen by providing access to authentic digital documents to a citizen's digital document wallet. The issued documents in DigiLocker system are deemed to be at par with original physical documents as per Rule 9A of the Information Technology (Preservation and Retention of Information by Intermediaries providing Digital Locker facilities) Rules, 2016 notified on February 8, 2017, vide G.S.R. 711(E).

Validating PAN

It is trivial for a fraudster to create the image of a PAN card with anyone's details. There are also physical, fake cards that are so good that it is tough to spot it even if the fake PAN card is held in person. It is hence important that the intermediary doesn't rely on just a scanned copy of the PAN.

There are two ways to currently validate if the PAN details being shared is genuine or not.

- **NSDL PAN verification service:** PAN number and date of birth can be entered and the service returns if the PAN is valid or not, and the name as per PAN.
- **DigiLocker:** a customer can create a DigiLocker account, map his PAN and share the PAN through DigiLocker within the onboarding experience. Documents shared through DigiLocker comes with a digital signature by the issuer and by law can be considered as good as the original for electronic use.

PS: Even if the customer is onboarding physically, it is important that the PAN be validated using the NSDL PAN verification service.

Validating POI & POA

POI is any document that carries the photo of the customer, name, and date of birth. The POA, in addition to the details required for the POI also requires the customer's address. If the POA has all the required data, it can also be used as POI. Currently when onboarding customers online, there are only two documents which can act as POI and POA and can be validated.

- Aadhaar (masked copy)
- Driving License (DL)

The reason only these two is because the customer can currently share digitally signed copies of Aadhaar and DL through DigiLocker which by law can be considered as the original document. UIDAI also has an **offline e-KYC process** through which details on Aadhaar can be shared as POI & POA, but is slightly more complicated to implement.

Through DigiLocker we also receive the photo of the person along with all the other details required for the proof to be considered as both POI and POA.

There are platforms that require customers to upload a copy of Aadhaar and the details are validated using QR code on the Aadhaar code. The issue with this is that QR code doesn't return the photo of the person and hence, like PAN, can't be used as proof of identity (POI). Asking clients to create a DigiLocker account (if they don't already have one), mapping their documents, and then sharing can be a reason for drop-offs. But currently, there is no other alternative.

Can PAN also be used as POI?

Both, the NSDL and DigiLocker services for PAN, don't share the photo of the person which is required for any document being used as POI. A fraudster can quite easily forge a PANCard using his own photo on another

person's PAN Card and use it as POI. As such, PAN shouldn't be relied upon as POI. Of course, you could match the photo of the scan copy of the PAN with Aadhaar or DL from DigiLocker and then accept it as POI.

Validating the person opening the account (IPV or In-Person verification)

While documents from DigiLocker can be considered authentic, since it is an online, mobile OTP based process, it is not possible to know whether the person going through the process is actually the person described in the documents. Someone who has gained access to a person's DigiLocker account and mobile phone can onboard pretending to be them.

Here, a video IPV can be performed to make sure that the person is alive and is indeed the person onboarding. This can be done in multiple ways. We at Zerodha send an OTP which has to be displayed by the customer during the IPV to make sure that it isn't a pre-recorded video on the other side of the IPV. The face from the IPV is matched against the photo from the POI submitted.

Validating bank account details

Finally, it is important that the bank account that will be used to transfer and receive funds is also validated. Using IMPS, a fund transfer of a small amount (penny drop) can be initiated. This transaction returns the holder's name and IFSC of the account number to which the money was transferred. This way, the bank account submitted can be validated to ensure that it belongs to the person opening the account.

I am guessing the next question would be if all funds move in and out of the bank account which is already KYC compliant, shouldn't SEBI take it a little easy on KYC? The capital market industry has been pushing for this, which saw the creation of a central repository of KYC (CKYC), similar to KRA but covering all intermediaries covered by SEBI, RBI, and IRDAI. The initiative is still not accepted by all the regulators as a central KYC repository and I am guessing we are still many years away from CKYC turning into a common KYC accepted by all intermediaries.

By the way, we might soon have depositories (NSDL, CDSL) offering KYC as a service, where all the KYC processes mentioned above will be offered as a service. This should hopefully solve the KYC pain-point that all financial services businesses face today.

Nithin is an avid trader in the Indian capital markets for over a decade. He, with his brother Nikhil, founded Zerodha - India's first discount brokerage in 2010. Widely credited as being a disruptive force in the Indian broking industry, Zerodha became the No.1 brokerage firm in the country by active clients & turnover in January 2020. Zerodha contributes more than 10% of the daily exchange turnover, serving 10+ lakh clients. With Zerodha, he has worked relentlessly to solve the woes of individual Indian investors.

Zerodha leverages technology to offer innovative trading & investing solutions that appeal to a wider audience in a bid to reach sections of the populace not currently participating in the capital markets. In addition, he has been working on creating an ecosystem for spurring innovation in the financial technology industry in India. He has founded Rainmatter, an R&D fintech incubator and fund that has invested in several fintech startups. He also launched a "Broking as a service" platform, where Zerodha's entire brokerage and its technology platforms are available on the cloud for developers and startups to build their own platforms, the first of its kind in the world.

Outside of work, he enjoys spending time with his family, playing the guitar, poker, running, football, basketball, and swimming.

Feature

EASE... KEEP THEM COMING



VIRAJ KULKARNI

CEO & Founder

PIVOT MANAGEMENT CONSULTING (OPC) PVT. LTD.

> "Capital markets emerged as a viable alternate to the banking finance juggernaut that dominated Indian landscape. Increasingly countries are engaged in developing their Capital markets as a viable alternate to Banking."

EASE -> Opportunity-> Growth. We have held this refrain for centuries. In capital markets it goes two steps forward-> Diversity of risks and -> Wealth creation.

Year 2019-20 added more ease of doing business, especially for Foreign Portfolio Investors (FPI). Ease added trust and confidence as well. As Indians, we are never satisfied and forever seeking change! It also showcases our ability to adapt and move faster. In the FPI space, change seems to be the all times constant, indeed with greater Turn Around Time(TAT)!

A Country's Capital market grew from USD 200 Million of Market Cap (in 1990s) to the present USD 2.3 Trillion- It happened in India! The famous crooner Alisha Chinai couldn't be more right. As wealth creation became a norm, Investors and participants flocked and adapted/drove the changes, Government, SEBI / RBI/CBDT and SROs guided building a stronger Capital market- with hiccups galore, a recoil before every super leap forward.

Capital markets emerged as a viable alternate to the banking finance juggernaut that dominated Indian landscape. Increasingly countries are engaged in developing their Capital markets as a viable alternate to Banking.

To cut the chase, I focus on the key changes in 2019-20, that provide more business opportunities to the Broking community, Custodians, Tax firms, Legal firms and more importantly the Investors and Companies. Not to speak of the revenue opportunity to the Government, Regulators and SROs. I will also briefly dwell onwhat we could do better….. as our insatiable instincts yearn for more changes!!!

FPI Regulations, 2019: The SEBI FPI Regulation is the harbinger of significant change for the better. It ushered a Global way of Recognisation of foreign Investors - those Regulated by FATF countries vs the not so. The complicated structures of the yore replaced by simplicity, though we still have some way to go! Does that make the Non- FAFT countries like Mauritius, Cyprus, Malta etc. less attractive inflow destinations? Not so. Though the processes will be more, these countries have evolved significantly to provide high quality services at more competitive pricing thereby increasingly emerging as the new inflow destinations. Countries like Cyprus are members of MoneyVAL an associate of FATF.

Interoperability of Clearing houses, 2019: Ease of settlement got a bigger shot for all investors with the go-live of interoperability. This specially benefitted Brokers, Custodians, Banks. Gone is the need to maintain two or more sets of processes- by each Clearing house. Risks and costs got minimized as Brokers, Custodians can now settle all their transactions through one Clearing house. Its easier to explain to FPIs as well.

Common Application form (CAF), 2020: Access to India in the almost last three decades meant navigating through the complex and multiple level application form. This considerably delayed FPIs access to India and in instances deterred - due to home country regulations / costs / time / resources or sometimes all of it! The CAF seeks to address issues that relate to costs / time / resources, though it's still in early stages and will need a few aspects to be ironed out. To the intermediaries, it will mean less efforts lesser costs and easy to understand processes. The Five step entry process gets reduced to 4 and with faster TAT on account opening… Maybe access India in 10 days! With increased interactions of India based Brokerage firms with foreign investors/their counterparts, this is good news and will assist in changing perceptions while sourcing business/ tie- ups. The bridge being built by the BSE Brokers Forum (BBF) is already garnering India interest like none other - more on this later.

SME Listings, 2019: The breaching of 500+ listings across both the Exchanges, raising USD 900 Million of Capital and creating a market cap of USD 4.2 Billion, created new opportunities for FPIs, especially from some of the Asian countries and US. Category II FPIs look to investing in this growing segment. The BSE SME Segment is playing the lead role in listings and market Cap. What expectancies do FPIs have of this segment - besides listing good companies (I'm sure there are over 10,000 out there), visibility through road shows and more importantly the establishment and visibility of Governance norms beyond those as per listing requirements. For e.g. Switzerland's over 325,000 SMEs have state institutions like SECO, SERI, SGE, ETH (the university) together developing the segment. In India - Government, Exchanges, BBF, Brokers, Custodians can take similar lead in creating more wealth for itself and its constituents.

BBF Initiatives: In my familiarization of the last two years, of the activities and initiatives of BBF, I'm like many, impressed with its efforts and initiatives to reach out to investors in India and now - overseas. Kudos to the BBF board as well as Dr. Vispi Bathena and his team. My interest is driven also by the BBFs fast growing initiative in engaging with foreign Exchanges, brokerages, FPIs, Indian Government Institutions overseas- showcasing the India attractiveness and seeking/ driving MOUs. Mr. Uttam Bagri's elevation to the vice chair position at International Federation of Investor Education (IFIE) will create greater visibility for Indian Capital Markets. High quality presentations, panelists with deep knowledge, premier institutions participating - formed BBF's various overseas forays. FPIs are flocking to BBF's events in increasing numbers and I'm sure it will grow as BBF does in many more jurisdictions. Its time for Indian brokerages to re- invent and start developing solutions and services to FPIs. Some have already begun!

BSE FPI access Handbook, 2020: BSE is the only institution in India and maybe the only exchange in the world, that has produced a crisp handbook for FPIs. The very popular book's fourth Edition incorporates the latest information (FPI regulations and CAF). FPIs are impressed with the layout of the information and find it easy to follow. Brokers can follow the Custodians model of sharing the booklet in their interactions with FPIs as well as familiarizing themselves on this growing segment. In last 4 years almost 1800 new FPIs, mostly erstwhile Category II invested in India; this constitutes almost 19% of total nos of FPIs.

India centric initiatives by Global Institutions and Markets, 2019, 2020: The year also saw multiple initiatives to project Indian Capital markets. SEBI together with US Institutions, Indian Embassy and HSBC - in US; Global Custodian's India Roundtable in April 2020; Cyprus Funds Summit of Nov 2019 carrying an India Focus, BBFs initiatives in Japan with JSDA and Indian Embassy. Many more such initiatives need to be rolled out. The increased initiative leads to the proverbial question. How do I invest in India? Who can execute and settle, where do I get Research reports etc.? Also, as many more Indian based entities are rated/topping the Global Surveys - Investors are recognizing the same and choose to benefit from wider choice of Global standard service providers. This has resulted in India's leading single country Custodians benefitting more.

Budget 2020
The budget didn't hold out much for the FPIs… certainly not unpleasant surprises.

Indian attractiveness roadmap also deserves developments that FPIs look for:

- The removal of Capital gains tax
- Less frequent changes, or all at once at periodic intervals
- More visibility on the initiatives, to be led by Policy makers Reduced costs of accessing India
- More Government initiatives in promoting FPI segment
- Most of the Governments initiatives relate to promotion of FDI
- FPI space needs ownership and support by Government agencies, especially as FPI investments in India is in excess of USD 400 Billion
- Though India's ease of doing business, ranking has improved and is noticed, the slippage in the GDP growth is also noticed!

In fairness, SEBI's FPI division has over the last decade initiated many steps to improve ease of doing business and in instances responded to issues at days' notice - the most recent example being SEBI's clarifications on status of FPIs inflowing from Mauritius, post the FATF announcement. Such responses are much welcomed and appreciated, by Industry and investors alike.

To conclude, wealth is being created, as the ease of doing business is growing even in the FPI segment. Are all the intermediaries, especially the venerated Broking industry ready for growth / change? Are we solution oriented? The FPIs are listening.

Viraj values his career related stint at BSE in early 1990s. Post a rich career with Morgan Stanley and as Country Manager, Custody with Citibank India, Citibank Switzerland, JP Morgan Chase and BNP Paribas, he founded PIVOT Management Consulting in 2015. PIVOT is globally recognized with global footprints in offices and assignments. PIVOT advises Exchanges, Custodians, PEs, FPIs, Broking firms, Corporates. He besides being an Independent Director with Motilal Oswal Trust Company, is on committees at Bombay Chamber of Commerce and Industry and as an expert on NSE Academy. In 2019 he was recognized by Global Custodian as amongst the 30 Global leaders in the over $100 Trillion Custody Industry. He is featured in local and international media.

Feature

HOW TECHNOLOGICAL ADVANCEMENT IS MAKING EQUITY INVESTMENT AFFORDABLE AND ACCESSIBLE TO THE COMMON MAN?



PRAKARSH GAGDANI

CEO

5 PAISA CAPITAL

> Increasing affordability and accessibility has undoubtedly been a vital game-changer here. Several factors like the increasing number of mobile usages, low data costs, high-speed internet services, tech-savvy regulators, and AI and ML driven research platforms are responsible for the increasing popularity of the equity market.

Equity Investment Made Affordable & Accessible with Technological Advancement

The Indian Equity market is witnessing a wave of transformation in last around 5 years' time. Apart from investible surplus and higher education levels, the major attributor to this change is the availability of information and investment tools at everyone's fingertips.

Today, Indian Equity market stands seventh in the world, though the market penetration is barely around 2.5% of the population. The major cause for such low penetration figures until now had been lack of knowledge and feasibility in terms of availability of technology. However, this picture seems to be changing drastically. The equity market has witnessed a remarkable rise in the number of retail investors from tier-2 and tier-3 cities. The entry of small-town investors has been a far more crucial factor driving the growth of the Indian equity market against the backdrop of maturing investors in the established metros.

Increasing afford ability and accessibility has undoubtedly been a vital game-changer here. Several factors like the increasing number of mobile usages, low data costs, high-speed internet services, tech-savvy regulators, and AI and ML driven research platforms are responsible for the increasing popularity of the equity market.

- **Mobile app:**

The storage capacity of mobile processors coupled with internet connectivity has increased substantially while the cost of purchase has decreased. Further, the cost of high capacity mobile phones has also decreased considerably. This might not seem like that big a thing, but the reduced cost of technology coupled with increased capacities has spiked up the reach of the digital platforms and greatly influenced the entire digital ecosystem and discount broking is no exception. For instance, total app trading in India has been around 18% while 5paisa has churned around 75% - 80% of its business through our app. I see the market for mobile-based trading to be increasing exponentially in the near future with the introduction of browsing tools like PWA and their increasing popularity.

- **Low data cost:**

As high-speed and low-cost internet services is finding its way to smaller towns and villages, the contribution of the tier-2 and tier-3 cities in the equity market is soaring significantly. The technological proliferation in these areas has largely increased their share in the market, which was previously dominated by the investors from tier-1 cities. 5paisa foresaw this opportunity and developed mobile app and today we can proudly claim that over 75% of our existing customer base constitutes of those from tier-2 and tier-3 cities.

- **Tech-savy exchanges and regulator:**

We all know the fact that clocking a median trade speed of six microseconds, BSE is world's fastest exchange. The credits of this goes to its lightning-fast trading platforms.

The regtech approach has radically transformed the picture in the equity market. Adoption of multiple online payment gateways for investments by the regulators coupled with the best-in-class online trading platforms offered by the brokers, along with the state-of-art technology and user-friendly services have collectively contributed to the rise in popularity of digital trading.

Further, digitalization has also reduced the time, cost and hassle involved in trading activates. For instance, previously to submit a bid for an IPO one had to go through the tedious process of physical applications through brokers and submit them to exchanges which took weeks. But now with UPI and adoption of ASBA, bidding for IPO has reduced to less than a minute and anyone can subscribe remotely by making the payment through UPI. What's more, you only pay if you are allotted the bid, meaning the required amount in your account is been blocked at the time of bidding and it will be deducted only if you are allotted the bid, else the amount is been released again for your use. The convenience and sense of safety that it gives is further increasing the number of people embracing the idea of digital payments and investments. Further, this has brought down the time needed for the listing of stock from as long as 20- 22 days to a week.

Online Mutual Funds platforms created by exchanges (BSE STAR & NSE MFSS) have opened an opportunity for millions of small-town customers and also helped a lot of startups to create products around this infrastructure.

- **Start-up ecosystem:**

Owing to the vast potential for startups, our country is described as 'the poster child of emerging markets'. And the fact that India ranks third in the world with over 21 unicorns completely justifies the point.

A lot of Fintechs and new startups are creating innovative products for the capital market using technology. This gives investors a lot of options and other products to invest and as they are created by startups the cost is phenomenally lower.

Further, earlier brokers were the only ones who would develop innovative products for retail which demanded huge cost in terms of employing people and technology. But now it has become easier for the brokers to integrate the services offered by these startups, thus reducing the cost.

- **AI & ML driven research and advisory:**

AI and ML have dramatically improved the efficiencies of most industries and stock trading has been no exception to it. They are significantly shaping up the future of the stock market. The brokers are now able to offer niche services like research and advisory, which were previously confined to only the high net-worth customers, to a larger customer base at affordable rates. Further, with the use of AI, brokers like us have been able to provide personalized recommendations to the customers.

The order execution is made more lucid by optimizing it using AI. The use of AI helps analyze millions of data points and execute trades at the optimal price. It is now possible for trading firms to efficiently mitigate risk for retail investors by analyzing the available data to forecast future trends with greater accuracy, thus offering higher returns.

The technology has made algorithm-driven investment services possible by introducing robo-advisory platforms. Such platforms provide automated services with little to no human supervision. Generally, they are automated and optimize passive indexing strategies that follow mean-variance optimization. Thus, the use of AI and ML has considerably reduced the cost involved in manual operations for the brokers. This has made the research-based products much more affordable thus not confining it to the high net-worth customers.

With the emergence of discount brokers and rapid digitalization, demat and trading account opening process has come down to as low as around 10 mins as opposed to several days taken in the past. The compliance requirements have also become almost realtime. Further, the exchanges and the regulatory bodies are making conscious efforts to safeguard the usage of AI by making it mandatory for all the stockbrokers to submit the compliance report on regular basis. All these factors are increasing the retail investors' trust in the system, while making the entire trading process more feasible and affordable, thus encouraging them to opt for online trading.

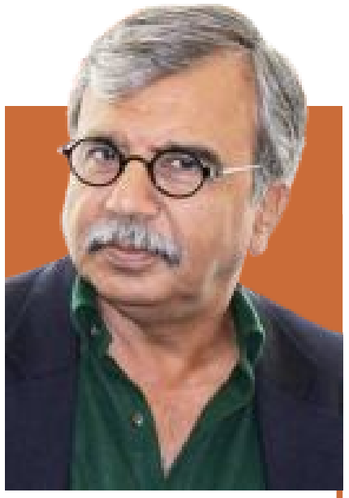
Prakarsh Gagdani, CEO, 5paisa.com - a professional Entrepreneur.

Behind the success of 5paisa.com is the visionary leader, Prakarsh Gagdani, CEO of 5paisa Capital. He is highly respected thought-leader known for his 360% management approach in broking, fin-tech, financial products distribution and advisory space.

He has been responsible for driving sustained innovation and integrating appropriate cutting edge technologies into the 5paisa.com's revolutionary platform, making it one of the most successful fin-tech firms in India. Being one of the youngest CEOs in the fin-tech space he connects with the millennial expectations and has pushed for a mobile-first approach for 5paisa.com which has paid rich dividends making 5paisa app one of the most used stock broking apps anywhere in the world. He also is a diversity leader at workplace making 5paisa one of most inclusive workplaces with a very high female employee representation anywhere in the finance and broking industry. Mentored by legendary entrepreneur Mr Nirmal Jain, he has nurtured 5paisa.com as an intrapreneur and has added multiple millstones within four years of the company's operations. He led the firm through its listing on bourses making it India's only listed discount broker.

Feature

CUSTODIAN BANKING - A GLOBALLY ACCEPTED BEST PRACTICE



ATUL GUPTA

Executive Chairman and Founder

ORBIS FINANCIAL CORPN LTD.

> Custodian banking is an established BEST Practice adding immensely to the ease of doing business facilitating a seamless flow of funds into the daily settlement mechanism improving effectiveness and efficiency of business processes including elimination of much duplicity.

RBI and SEBI have over the years continually enabled development of best practices in Banking and Capital Market. These timely reforms have been the key drivers behind the growth of India's Capital Market Infrastructure getting ranked amongst the best in the world with well managed risks.

SEBI, under its Regulations, mandates appointment of Custodians for Institutional Investors. Custody clients in India or elsewhere, are always "informed investor" such as Foreign Portfolio Investors, Mutual Funds, Insurance companies, Portfolio Managers, Pension Funds, NBFC's, Alternate Investment Funds, Wealth Managers and the likes.

Globally speaking, Custody, a highly specialized service, is an Industry in itself though in India it is made out to be as a sub-set of universal banking.

The dedicated "Custodian Banks" hold in excess of 70% of the Global Custody Assets of about US$ 75.00 trillion as compared to just about 30% of Custody Assets being with Universal Banks.

Given that every transaction in the Securities market invariably has one leg in the Securities Settlement market and the second leg in the Banking Settlement market, Custodian Banks get regulated by both the Banking Regulator and the Securities Regulator. In India also, scheduled commercial banks when undertaking Custody services also get regulated by SEBI to the extent of the security leg in the transaction.

In our current regulatory environment, we either have Bank Custodians (Universal Banks also offering Custody Services) or Non - Bank Custodians (like Stock Holding Corpn of India, SBI - SG Global Securities Services Pvt Ltd or Orbis) offering security settlement with banking leg undertaken with the assistance of a third bank.

Custodian banking is an established "BEST Practice" adding immensely to the ease of doing business facilitating a seamless flow of funds into the daily settlement mechanism improving effectiveness and efficiency of business processes including elimination of much duplicity.

Giving the much awaited regulatory recognition to Custodian Banking by RBI, will only enhance the reputation of Indian capital markets taking this tier of banking intermediaries to the highest level of "safety and security" in the interest of investors of all shapes and sizes from any part of the world. Adoption of Global best practices by the custodian banks would be a natural corollary of this regulatory action. Most existing domestic & foreign Institutions prefer to have both Custodial and Banking services from a specialist single service provider eliminating duplicity and cumbersome reconciliations.

Having come into the 21st century with economy becoming the fifth largest and marching towards the $5 trillion target, it is imperative that RBI takes a re-look at the needs of the capital market and not be restrained by the mind-set of the physical paper era.

Capital market, unfortunately, continues to be a dirty word in the eyes of the banking regulator in this new era inspite of a fully automated and well administered Capital Market! We are proud to state that the investors have been well ring fenced and exchange settlements have been consistently honoured.

Custodians, providing this highly specialised segment of services, are expected to be wholly dedicated to Investor Services without entering into any conflicting businesses such as Stock Brokerage or Funds Management or Mutual Fund distribution or Insurance brokerage. Banking, DP and Clearing services are enablers to rendering Custody services to these "quality conscious highly sensitive & demanding investors". Generally, other incidental services provided by Custodians often include Trustee services, Escrow services, Registrar & Transfer Agency services and fully secured loans against financial securities.

Due to non - recognition of Custodian Banksin India, the "Custodian Banks" are non - existent in India.

Custodian Banking has always been a highly risk averse business. Through novation, dedicated Custodians offer a risk-free Settlement platform where the counter party is the Clearing Corporation acting on behalf of the Exchanges. In line with market practices, there are upfront cash margins levied on gross settlement basis of about 10% by the Clearinghouses.

The Depositaries (NSDL / CDSL) extend their depositary services for Security movements and Banks, their banking facilities, for Fund movements to the Clearing Corporations. With a T + 2 settlement cycle, risk due to price fluctuations also stands eliminated. Any price fluctuation gets factored into margins through an additional Mark to Market margin. The Custodians are constantly fully protected de-risking the investors and the marketplace.

Investor interests are protected by seeking investor confirmation to trades prior to any settlement that are executed by the brokers on behalf of the investors. Similarly, the custodians are also de-risked through their validation checks for availability of funds and securities prior to accepting settlement responsibility for any purchase or sale transactions.

A Catalyst for $5 trillion economy

Tweaking the "On-tap Universal Baking regulations" to include specialist Custodian & Capital Market Banks into its reach would be a very powerful catalyst marching the country towards its five-trillion dollar economy target. Ignoring quantifiable gains for a minute, the qualitative messaging would be very strong.

None of the global Custodian Banks have set foot in India only because of absence of Custodian Banking regulations as they have no interest in entering as Universal Banks as that is not their core competency. This one small tweak would open the doors to the likes of BNY Mellon and State Street setting shop in India, the much needed step leading to greater integration of India with the global markets and practices.

SEBI is constantly moving forward with reforms and the latest awaiting the green light is NRI's getting classified as FPI's. This reform may set RBI on the fast track to permit Custodian Banking.

Atul Gupta is the Executive Chairman and Founder of Orbis Financial Corpn Ltd, India's first privately promoted Custodian staying wholly dedicated to this specialised service with no conflicting products such as stock broking or funds management.

Feature

PMS CHANGING LANDSCAPE



BHAVESH VORA

Chartered Accountant

> As per the new regulations, Investments by discretionary Portfolio Managers are to be made only in listed securities, money market instruments, units of Mutual Funds and other securities as specified by SEBI. In the case of Non-Discretionary and Advisory Clients, Portfolio Managers can invest up to 25% of the AUM in unlisted securities.

The SEBI (Portfolio Managers) Regulations, 2020 ["2020 Regulations"] were notified on the 21st of January 2020. They are based on the consultation paper on the SEBI (Portfolio Managers) Regulations, 1993 that was issued by the Securities and Exchange Board of India (SEBI) on 2nd August 2019. This paper had first set the tone for the proposed regulatory changes. Further, on 13th February 2020 SEBI issued circular SEBI/HO/IMD/DF1/CIR/P/2020/26 titled "Guidelines for Portfolio Managers" **["SEBI PMS Guidelines Circular"]** which provides additional clarity on some of the aspects covered in the 2020Regulations, and also introduces some more changes.

To make regulations pertaining to Portfolio Management Services more transparent and robust, there have been a large number of changes introduced which shall have varying impact on businesses. Some of the most significant ones amongst these have been summarized below.

Major Changes Introduced: Concept of Investment Approach

The 2020 Regulations have introduced the concept of 'Investment Approach'. The regulations have explained the same to mean "a broad outlay of the type of securities and permissible instruments to be invested in by the portfolio manager for the customer, taking into account factors specific to clients and securities."

This 'investment approach' is important since it is to be specifically included in the number of documents. It is to be included in the client agreement and in Disclosure Document. Risks that are specific to each investment approach will also form a part of such Disclosure Document. Performance reported in the Disclosure Document may also be segregated based on investment approach. The new format prescribed for monthly reporting to SEBI also includes reporting performance data as per the investment approach.

The SEBI PMS Guidelines Circular further specifies inclusion of certain items w.r.t. description of investment approach. These are investment objective, description of types of securities, basis of selection of such types of securities, allocation of portfolio across types of securities, appropriate benchmark to compare performance and basis for choice of benchmark, indicative

BROKERS FORUM
I ♥ Stock markets

tenure or investment horizon, risks associated with the investment approach, other salient features, if any.

This will help client understand the decision-making process and parameters used by the Portfolio Managers.

Investments by Portfolio Managers

In erstwhile regulations there was no restriction w.r.t. Investment in listed/unlisted securities.

As per the new regulations, Investments by discretionary Portfolio Managers are to be made only in listed securities, money market instruments, units of Mutual Funds and other securities as specified by SEBI. In the case of Non-Discretionary and Advisory Clients, Portfolio Managers can invest up to 25% of the AUM in unlisted securities. Investments made in Mutual Funds must be only in direct plans with no distribution fee charges.

Portfolio Managers may have to review some of their investment strategies to ensure compliance with these regulations.

Periodic Submissions to SEBI

The three major submissions that were periodically made to the SEBI, i.e. The Disclosure Document, The Monthly Report and the Half-Yearly Report have all undergone change under the new regulations. The Disclosure Document that was earlier required to be submitted every six months is now required to be submitted within seven days of occurring of any material change. The Model Format for this document has also seen some changes, such as the addition of "Investment Approach", additional risk factors related to conflict of interest, method prescribed for performance disclosure and disclosure of the Audit Observations for the past three years.

A new format for the Monthly report has been prescribed. The Half Yearly Report is no longer required to be submitted. However certain aspects of it such as the Corporate Governance Report and the Net worth Certificate are now required to be submitted annually.

Performance Reporting

Performance reporting shall be made on Time Weighted Rate of Return basis. Performance must be reported net off fees and taxes. Performance Reporting that is included in the marketing material and displayed on the website must be the same as that is disclosed to SEBI. Impact of change in investment approach that may affect performance must also be disclosed in marketing material. The Marketing Material and Performance data on the website will have to be studied and amended, if required to ensure compliance with these changes.

The Firm Level Performance is also required to be audited within sixty days from the end of the Financial Year.

Fees and Charges

Under the 2020 Regulations, Portfolio Managers are no longer permitted to charge upfront fees. For charges to be recovered from clients, brokerage may be charged as per actuals, and operating charges other than brokerage would be capped at 0.50% of the Asset Under Management (AUM). The Maximum exit load that can be charged has also been defined. This maximum limit is based on when the amounts are to be withdrawn.

Distributors

Portfolio Managers are required to provide clients an option to be onboarded directly, and must display such option prominently in Disclosure Documents, Marketing Material and the Website. For such directly onboarded clients, no charges except statutory charges can be levied at the time of onboarding.

Only the services of distributors who has AMFI registration number or those who have cleared NISM Series V-A exam can be taken by Portfolio Managers. A Code of Conduct has also been prescribed for distributors, and within 15 days from the end of the Financial Year a self-certification has to be taken from the distributors regarding compliance with the code. Agreements and arrangements entered into with all distributors will have to be verified and potentially amended to ensure that the above requirements are complied with.

Reporting to Clients

Reporting to clients must be at least on a Quarterly Basis. The format for such client reporting has also been prescribed in the SEBIPMS Guidelines Circular. Specific items that were required to be included in the client reports that were not included earlier, are the details of

default in payment in coupons or other default related to underlying debt security or downgrading to credit rating and details of commission paid to distributors. Suitable changes to the Reports issued to the client will have to be made.

Increase in Minimum Investment Amount

The Minimum investment amount for availing Portfolio Management Services has been increased from Rs. 25 Lakh to Rs. 50 Lakh. This minimum investment amount has been made applicable for both new clients and fresh investments by existing clients.

Net Worth Requirement

The minimum net worth requirement for Portfolio Managers has been increased from Rs. 2 Crore to Rs. 5 Crore. Existing Portfolio Managers have to comply with this requirement within a period of 36 months.

Employee Related Requirements

Earlier Portfolio Managers had to have in their employment a Principal Officer and a Compliance Officer. They were required to employ a total of at least two employees. As per the 2020 Regulations, Portfolio Managers must employ a Principal Officer, a Compliance Officer and at least one other employee. The qualification requirements for the principal officer have also been enhanced. Such principal officer must now have a Professional Qualification in the prescribed areas as well as five years of Experience in the securities market, of which two years of experience should be in relevant areas of Portfolio Management of Investment Advisory. All employees who have the decision-making authority of the Principal Officer must also have the same minimum Qualifications that have been prescribed for the Principal Officer. They are also required to obtain relevant NISM Certification.

The one other Employee who is hired, also must at the minimum be a graduate and have at least two years of experience in areas related to securities market.

Conclusion:

The 2020 Regulations have caused major changes to the business and operations of Portfolio Managers. While such a period of change is bound to raise some further operational questions and cause periods of unclarity during the transition, the same can be expected to smoothen out as time passes. The enhanced requirements from Portfolio Managers, coupled with the increased regulations over distribution, investments and fees indicate that regulator is continuing in its approach for protection of investors and enabling informed decision-making mechanisms for clients. It is now up to the Portfolio Managers to recognize the impact of these regulatory changes and adapt, so that they can grow in this evolving regulatory environment by balancing the dual act of minimizing cost of operations and maximizing client servicing.

Bhavesh Vora is a practicing Chartered Accountant with over 30 years of rich experience having specialization in providing end to end consultancy services to Capital Market Segment, Derivatives, Non-Banking Finance Companies, Portfolio Management Services, Stock Broker's Regulations.

He has delivered lectures to organizations and forums of the like of [RBI] Reserve Bank of India Limited, [NSE] National Stock Exchange of India Limited, [FIMMDA] Fixed Income Money Market and Derivatives Association of India, [ANMI] Association of National Exchanges Members of India, BSE Brokers' Forum, etc. on the aspects of Accounting Standards, NBFCs, Regulatory Compliances, etc.

He has also Co-Authored guidance notes on "Audit of Accounts of members of Stock Exchange" "Internal Audit of Stock Broker" published by ICAI and also co-authored BCAS' prestigious publication "NBFC- A Treatise".

Presently, he holds key positions as President 'of "Investor Education and Welfare Association", a SEBI recognized association, 'External Expert' in the Regulatory and Oversight Committee of [MSE] Metropolitan Stock Exchange of India Limited, 'Trustee' of [NCDEX – IPF] National Commodity & Derivatives Exchange Limited - Investor Protection Fund, member of various committees of ICAI & BCAS, Advisor to the Chamber of Tax of Consultants (erstwhile as 'President').

Also being an avid reader, his hobbies include reading Management and Spiritual Books, and has an inclination towards imparting education.



DR. NAMRATA KHATRI

Financial Services

> Corporate governance is not a new concept but came to limelight after various scams in international and -national market. Corporate governance was first specified in India thousands of years back through Rigveda, the oldest book on record in the whole world. In that historic text, "harmony" was the watchword and "symphony" amongst all the stakeholders was the modus operandi. That is to say, "Prosperity for all" was the common corporate goal.

Feature

CORPORATE GOVERNANCE AND BANKING SECTOR

Good Corporate Governance,
It's about being proper and prosper
- Toba Beta

Corporate governance is to have proper governance of business and to comply with all governance norms as given by the regulatory in the interest of all the parties of the society. Corporate governance focuses on complete transparency, integrity and accountability of the organization. Corporate governance basically denotes rule of law, transparency, accountability and protection of public interest in the management of a company's affairs in the prevailing global, competitive and digital environment.

Corporate governance is not a new concept but came to limelight after various scams in international and -national market. Corporate governance was first specified in India thousands of years back through Rigveda, the oldest book on record in the whole world. In that historic text, "harmony" was the watchword and "symphony" amongst all the stakeholders was the modus operandi. That is to say, "Prosperity for all" was the common corporate goal.

Manu, the son of Prajapathi was the first king who brought out a comprehensive code of conduct or governance for men, society and the state as a whole in his treaty called Manu Dharma Shastra. In Mahabharata while delivering his first formal discourse on polity Bhisma says in equivocal terms that the kin should always put the interest of his subjects over that of his own. The great political thinker of 3rd century BC namely Kautilya in his treaty Arthasastra has laid down the ideals at which the king was expected to aim.

Banking Sector and Corporate Governance:

Banking is the crucial factor effecting economic development of an economy. It is the life-blood of a country. It is responsible for the flow of credit and for maintaining the financial balance of the economy. In India, since the nationalization process banks emerged as a tool of economic development along with social justice. Effective corporate governance practices are essential to achieving and maintaining public trust and confidence in the banking system, which are critical to the proper functioning of the banking sector and economy as a whole.

From banking industry perspectives, corporate governance involves the manner in which the business and affairs of individual institutions are governed by the supervisory boards and senior managements, affecting how banks:

- Set corporate objectives to generate sustainable banking returns to owners;
- Run the day-to-day operations of the business;
- Consider the interests of recognized stakeholders;
- Align corporate activities and behaviours with the expectation that banks will operate in a sound manner and in compliance with applicable laws and regulations; and

- Protect the interests of depositors and other stakeholders.

Three Pillars of Corporate Governance:

Banking system occupies an important place in a nation's economy. In other words the development is an inevitable pre-condition for the healthy rapid development of national economic structure. Banking institutions have contributed much in the development of developed countries of the world and hence a banking institution is indispensable in a modern society. It plays a fundamental role in the economic development of a country and forms the core of the money market in an advanced country. The financial sector in general, and banking in particular, is regarded as one of the most significant in most nations and has a major influence on the economy both domestically and internationally. Banks also play a crucial role in enhancing the stability and confidence of the financial system.

The 1998 paper of the Basel Committee on Banking Supervision (BCBS) - Enhancing Bank Transparency - presents the core disclosures that banks should provide to the public. The is suance of that paper "is based on the recognition that markets contain disciplinary mechanisms that can rein force the efforts of supervisors by rewarding banks that manage risk effectively and penalizing those whose risk management is inept or imprudent."This recognition that greater disclosure would result in market discipline is further emphasized in the proposed New Basel Capital Accord (Basel 2).Basel 2 is a three-pronged approach that highlights not just the minimum capital requirements (Pillar 1)but also the importance of supervisory review (Pillar2), and market discipline (Pillar 3). Pillar 3 provides an extensive list of important information that banks should publicly disclose.

Importance of Corporate Governance in Banks:

- Effective corporate governance practices are essential to achieving and maintaining public trust and confidence in the banking system, which are critical to the proper functioning of the banking sector and economy as a whole.
- Poor corporate governance may contribute to bank failures, which can pose significant public costs and consequences due to their potential impact on any applicable deposit insurance systems and the possibility of broader macroeconomic implications, such as contagion risk and impact on payment systems.
- Poor corporate governance can lead markets to lose confidence in the ability of a bank to properly manage its assets and liabilities, including deposits, which could in turn trigger a bank run or liquidity crisis. Indeed, in addition to their responsibilities to shareholders, banks also have a responsibility to their depositors.
- More diverse stakeholders (many depositors and often more diffuse equity ownership, due to restrictions): makes for less incentive for monitoring.
- Banks are morally responsible for the funds which they move within an economy as they are the keepers of the money of their depositors.

Stability and sustained growth of an economy is closely linked to stability of the financial sector (especially the banking system) and any shock to the latter is capable of creating serious instability in the former. Poor corporate governance may contribute to bank failures, which can pose significant public costs and consequences due to their potential impact on any applicable deposit insurance systems and the possibility of broader macroeconomic implications. In addition, poor corporate governance can lead markets to lose confidence in the ability of a bank to properly manage its assets and liabilities, including deposits, which could in turn trigger a bank run or liquidity crisis.

As per the latest Reserve Bank of India (RBI) data, an unprecedented 6,801 frauds, totalling Rs 71,500 crore, were detected in FY19. That amounts to a 15% rise in volume and 80% climb in value. This rise eclipses the FY18 banking fraud at Punjab National Bank(PNB), the most infamous in India's history when it was revealed that over the course of 7-8 years, fugitive diamond merchants Nirav Modi and Mehul Choksi allegedly siphoned off nearly Rs 13,000 crore from the lending. Most of the frauds in the banking sector are credit realted and they are not like operational frauds.

Of the frauds, 73% were large ticket corporate frauds worth over Rs 100 crore. Public sector banks originated 92% of those fraudulent loans. Many of these frauds took place at least five years ago, and some over a decade ago. The most shocking data of all was the fact that average time for a fraud over Rs 100 crore to be detected was 55 months. Such is the intensity of the problem that RBI has alerted the banking sector. Most banks are not by themselves guilty of fraud and are oftentimes victims themselves, but the problem of under reporting stems due to a reluctance to engage with the prescribed system of due diligence.

Conclusion:

Corporate governance has become very important for banks to perform and remain in competition. Corporate governance in banking sector is very much essential for justifying its role in money management. Best practices of corporate governance in banks are of great value to a number of stakeholders' viz., depositors, creditors, customers, shareholders, employees and society at large. The banks are expected to have a higher level of governance than on other firms, because fundamentally, banks must act in a way that promotes "confidence" to the public and the markets in general and more specifically, to their primary stakeholders. Banks play a crucial role in the flow of capital within an economy and are charged with a special public trust to safeguard customer's wealth. A stable and healthy banking system is critical to the long-term growth of an economy.

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Dr. Namrata has 17 years of Post Graduate teaching experience. Her area of interest and research are Managerial Accounting, Financial Services and Control System. She has been a resource person to reputed management institutions and corporate houses. She has professional experience of one and a half years working in a Chartered Accountants firm, which included project reports, audits and other consultation in area of finance. She has co-authored a book on 'Business Administration' for T.Y.B.Com. students. Her doctoral work is in the area of corporate governance. She has attended several Faculty Development Programmes, National and International conferences and workshops. She has also presented papers at National and International conferences. Her research papers, articles have been published in various national journals. She is guiding Ph.D. and M.Phil Students.

Feature

ARBITRATION



CHETAN KAPADIA

Advocate

BOMBAY HIGH COURT

> "Arbitration is the process by which a dispute between two or more parties as to their legal rights and liabilities is referred to and determined judicially and with binding effect by the application of law by the arbitral tribunal instead of by the Court of law."

1. The concept of arbitration dates to pre-British India where the corresponding words for "arbitrator" and "arbitration" were "panch" and "panchayat". Arbitration is the process by which a dispute between two or more parties as to their legal rights and liabilities is referred to and determined judicially and with binding effect by the application of law by the arbitral tribunal instead of by the Court of law [1]. A reference to arbitration may arise from the agreement of the parties (private arbitration) or from the statute (statutory arbitration).

2. In his book, "We the People", one of India's finest jurists Nani Palkhivala, wittily remarked on the slow speed of our judicial system "I am not aware of any country in the world where litigation goes on for as long as in India. If litigation were to be included in the next Olympics, India would be certain of winning at least one gold medal". Arbitration, which contemplates speedy decision on disputed matters with minimum interference of Courts in adjudication, is seen as a remedy to the proverbial snail's pace which has become synonymous with court cases in India. Unlike Judicial officers who may not be specialized in any particular area of law or possess special knowledge, in an arbitration, parties are free to refer their disputes to an arbitrator or any number of arbitrators (provided such number is odd) of their choice depending on any special skill or knowledge that the dispute requires the arbitrator to possess e.g. Construction, Capital Markets, etc.

3. In the words of Prof. William W. Park [2], "like consummated romance, arbitration rests on consent", which lays the elementary principle in private arbitration viz. an arbitration agreement must be in writing and signed by the parties or discernible from correspondence exchanged between parties. The sanctity of the arbitration clause in agreements is protected even if the agreement in which the arbitration clause is contained is held to be null and void. Unlike private arbitration, statutory arbitration rests on provisions of an Act which mandates parties to have their disputes adjudicated by the process of arbitration rather than by Courts.In an arbitration agreement, parties may also stipulate that in case of disputes, they will be referred to a particular institution such as Indian Council of Arbitrators (ICA), Federation of Indian Chamber of Commerce & Industry(FICCI), International Chamber of Commerce(ICC) etc. These institutions have framed their own rules of arbitration which govern the arbitral proceedings conducted by these institutions. Such rules supplement provisions of the Indian Arbitration law in matters of procedure.

4. Stock and Commodity exchanges have prescribed their own arbitration rules and regulations with a view to ensuring speedy and effective resolution of claims, differences and disputes. For instance, the Bombay Stock Exchange (BSE) and National Stock Exchange (NSE) has laid down an arbitration mechanism between non-Trading Members and Trading Members and Trading Members inter-se. This mechanism is duly embodied in the Rules, Bye-laws and Regulations of BSE/NSE, and duly approved by the Government of India/SEBI, under the Securities Contracts (Regulation) Act, 1956.

5. Arbitrations in India are governed by the Arbitration and Conciliation Act, 1996 for its conduct and the substantive general law of India to decide the disputes. Every civil and commercial dispute is capable of being adjudicated by arbitration unless the jurisdiction of arbitrator is barred. Some of the category of disputes which cannot be decided by arbitrators are criminal offences, matrimonial disputes relating to divorce, judicial separation, restitution of conjugal rights, child custody, guardianship matters, insolvency & winding-up matters, matters related to grant of probate, letters of administration & succession certificate, eviction of tenants, patent, trade-marks & copyright, anti-trust/competition laws, disputes arising out of trust deeds and serious allegations involving fraud [3].

6. An arbitrator has power to decide everything between the parties including objections of his own jurisdiction. A party raising dispute that the arbitrator does not have jurisdiction must raise the plea at the earliest and not later than submission of defence. The arbitrator can adjudicate only on disputes which are referred to him irrespective of whether there are some other disputes as well between the same parties. An objection that the arbitrator is exceeding the scope of his authority is to be raised as soon as the dispute beyond the scope of its authority is raised during the arbitral proceedings.

7. The arbitrator is empowered to grant interim reliefs for protection of subject-matter of the arbitration or to secure the amount in dispute. The exercise of power to grant interim reliefs is governed by well recognized judicial principles such as existence of a prima facie case, balance of convenience and considerations of irreparable hardship & injury. Though an arbitrator is not bound by the Code of Civil Procedure, 1908 or the Indian Evidence Act, 1872, an arbitrator is bound to act judiciously & in accordance with judicial principles and his power includes the power to determine the admissibility, relevance, materiality and weight of any evidence. In arbitrations other than international commercial arbitrations, the arbitrator has to decide the dispute submitted to arbitration in accordance with the substantive law for the time being in force in India. The flexibility which parties enjoy in arbitrations as compared to Courts of law are choosing the venue of arbitration, procedure to be followed by the arbitrator, language to be used in proceedings, choosing the qualifications which an arbitrator must possess or choosing the arbitrator himself.

8. A claimant before the arbitrator is required to file a statement of claim (akin to a Plaint in a civil suit) stating the facts supporting his claim, the points at issue and the relief or remedy sought. The respondent is required to state his defence (akin to a Written Statement in a civil suit) in respect of these particulars. The respondent, in support of his case, may also submit a counterclaim or plead a set-off, which is to be adjudicated upon by arbitrator, if such counterclaim or set-off falls within the scope of the arbitration agreement. Subject to any agreement between the parties in this regard, the arbitrator shall decide whether to hold oral hearings for the presentation of evidence or for oral argument, or whether the proceedings shall be conducted on the basis of documents and other materials. To aid expeditious conclusion of proceedings, a time limit of one year is fixed to complete arbitration with limited provisions for extensions based on reasons.

9. The parties also have an option to have their disputes resolved through a fast track procedure to be adopted by the arbitrator wherein the arbitrator may dispense with technical formalities and

adopt such procedure as deemed appropriate for expeditious disposal of the case. If at any stage either before or at the time of appointment of the arbitrator, the parties agree in writing to have their dispute resolved by fast track procedure, the arbitrator shall decide the dispute on the basis of written pleadings, documents and submissions filed by the parties without any oral hearing unless all parties make a request or if the arbitrator considers it necessary to have oral hearing for clarifying certain issues. He shall have the power to call for any further information or clarification from the parties in addition to the pleadings and documents filed by them and an award (i.e. arbitrator's decision on the dispute) in such a case is to be passed by the arbitrator within six months from the date the arbitrator enters upon reference.

10. An arbitrator's award is required to be in writing and to be signed by the arbitrator. Unless the parties have agreed that no reasons are to be given, the award must state the reasons upon which it is based. The arbitrator also has the power to award costs to a party i.e. reasonable costs relating to fees and expenses of the arbitrators, legal fees etc.

11. An arbitrator's award can be challenged in the Court. One may think if that is the case, is arbitration really efficacious when an unsuccessful party may simply challenge the same before Court. However, it is now settled by Indian Courts that the scope for challenge to an arbitral award is extremely narrow and only in cases where the Court finds that the subject matter of the dispute was not arbitrable or the award was patently illegal going to the root of the matter or that the award was in conflict with the public policy of India i.e. the award was induced or affected by fraud or corruption, was in contravention with the public policy of Indian law or in conflict with the most basic notions of morality or justice. Mere wrong application of law, non-consideration of facts or incorrect appreciation of evidence are no grounds for interference with an arbitral award.

12. The amended[4] legal position, also now clarified, in a recent judgement[5], by the Supreme Court holds that mere filing of an application in Court to set aside the award does not per se render that award unenforceable, unless the Court grants an order of stay. The terms of stay are onerous and duly protect the interest of the successful party pending the challenge.

13. An appeal lies against the order of the Court setting aside the award or refusing to set aside the award. Such an order passed by the Court in appeal is final. Only a Special Leave Petition can lie against such order passed by the Court in appeal.

14. One would often hear epithets that arbitration is a cheap and quick remedy while litigation in Courts is costly and time consuming. However, in India, arbitrations have turned out to be not only expensive but also quite formal with arbitrators' insistence on formal pleadings, applications for amendments, indexed documents and arguments to be addressed by counsel with detailed written submissions. While speaking at the 3rd International Conference organized by Indian Council of Arbitration and Federation of Indian Chambers of Commerce and Industry on 8th February 2020, the Hon'ble Chief Justice of India Justice S.A. Bobde said "Arbitration is not meant to mirror litigation".Pendency and backlog of cases in Courts today is a serious concern. Arbitration can greatly alleviate the pressure on courts and reduce pendency but only if the dispute-resolution processes are efficient, expeditious and effective.

15. In the present dispute resolution scenario, Arbitration is the ray of hope for a litigant who desires speedy decisions on disputed commercial issues at the hands of a specialized adjudicator who follows an agreed procedure in an informal atmosphere for prompt decision making.

1. Halsbury's Laws of England
2. Non-Signatories and International Contracts: An Arbitrator's Dilemma.
3. Ayyasamy v. A. Paramasivam (2016) 10 SCC 386.
4. National Aluminium Company Ltd. v. Presstel & Fabrications (P) Ltd. &Anr. (2004) 1 SCC 540 and Fiza Developers and Inter-trade Pvt. Ltd. v. AMCI (India) Pvt. Ltd.[2009] 17 SCC 796.
5. Hindustan Construction Company Limited and Ors. v. Union of India & Ors. 2019 (6) ArbLR 171 (SC).

Chetan Kapadia is an Advocate practising at the Bombay High Court in Civil, Constitutional, Company and Arbitration matters and a public speaker on diverse legal subjects.

Feature

DECODING FOREIGN EXCHANGE RESERVE MANAGEMENT



NILESH G. HUNSWADKAR

Founder

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> Foreign currency reserves typically comprise external assets, primarily of securities and deposits. The other component includes monetary gold and claims on international financial institutions, that can be quickly converted into foreign currency reserves.

The level of Foreign exchange reserves is often reported by the press as an increase and decrease phenomena. In times of economic stress, often around balance of payment crisis these are linked to the months of import cover that a country has. However, the mass media does not deep dive in this area of great importance. It will therefore be useful to take a closer look at this subject.

The term Total Official reserves of a country is the broadest definition of International reserves it has and includes (a) foreign currency reserves and (b) non-currency reserves. Foreign currency reserves typically comprise external assets, primarily of securities and deposits. The other component includes monetary gold and claims on international financial institutions, that can be quickly converted into foreign currency reserves. These are Special Drawing Rights (SDRs), the reserve position at the International Monetary Fund (IMF) and other reserve assets consisting of financial derivatives et al. This article dives in to the main component of total official reserves - namely the foreign currency (fx) reserves component. It explains the reasons why countries maintain fx reserves, describes various approaches used to gauge adequacy of reserves, gives a cover-note idea on composition of reserves and finally management of reserves.

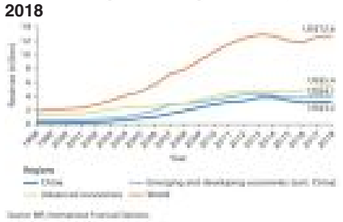
Historically, the practice of accumulating foreign currency reserves by various countries date back to the later part of the nineteenth century, essentially to back their liabilities and domestic currency with a view to supplementing their gold and silver reserves. These reasons have evolved over time for different countries. Today, one of the most common reasons across developed and emerging market economies is as an enabler to carry out foreign exchange interventions, whenever necessary. However, in emerging markets, foreign currency reserves serve a wide range of operational purposes as well as precautionary / non-precautionary policy objectives.

Traditionally, operational purposes include assistance in regular international debt and import-related payments made on behalf of the government, external borrowing and helping in monetary policy's liquidity operations. Precautionary objective primarily deals with using the fx reserve as a buffer to absorb or insure against balance of payment shocks and to mitigate volatility in foreign exchange markets. It may be added that in countries with non-floating exchange rates, they act as a buffer to cover monetary liabilities. Some studies also point to what is referred to as non-precautionary motives - that economies accumulate fx reserves to prevent their exchange rate from appreciating, the aim being to maintain external competitiveness and promote export- led growth.

Level of Foreign Exchange Reserves - Global

Key pointers visible from the global trends in central banks' foreign currency reserve holdings are noted below –

Global foreign exchange reserve, 1998-2018



- Global foreign exchange reserves have increased over six-fold, reaching US$12 trillion as of March 31, 2018. This historically unprecedented growth in foreign exchange reserves accelerated the evolution of central banks' asset management practices. Many of these institutions expanded their focus beyond the traditional investment objectives of liquidity and safety to include income generation. In doing so, they faced additional challenges arising from the extraordinary policy responses to the unprecedented economic conditions following the financial crisis*.
- Around two-thirds of global foreign currency reserves are held by emerging and developing economies. In the wake of the Asian crisis, emerging market especially commodity-exporting economies began accumulating sizeable foreign currency reserves, with China accounting for the largest share of that increase.

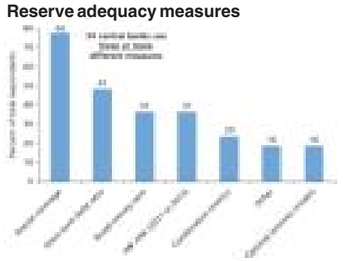
Most Research suggests that the significant accumulation of foreign currency reserves by emerging markets since the turn of the millennium has been driven by both precautionary and non-precautionary motives. Precautionary motives encourage countries to hold foreign currency reserves to manage situations of financial distress, mainly sudden stops in capital flows. The lessons of the financial crises of the late 1990s led many emerging market countries to accumulate foreign currency reserves when opening up their economies to global trade and finance. Other studies point to additional drivers of reserve accumulation related to potential vulnerabilities and market failures in the international monetary and financial system. Mercantilist motives, whereby economies accumulate reserves to maintain external competiveness and boost exports, have also played an important role.

*Source: World Bank. 2019. "Inaugural RAMP Survey on the Reserve Management Practices of Central Banks: Results and Observations."

Adequacy of Reserves – Different Approaches

Adequacy of reserves is a very important aspect of reserve management. Institutions use a variety of matrices to assess reserve adequacy. The most commonly adopted tend to be those related to trade and capital flows, such as import coverage and short-term external debt ratio. The Greenspan –Guidotti rule on short term debt is also a widely followed metric. Beyond these basic assessments, more sophisticated methodologies incorporate combinations of these and other indicators. In this context it is interesting to note the survey results of the World Bank's RAMP exercise -

Reserve adequacy measures



Source: RAMP Survey on the Reserve Management Practies of Central Banks.

Survey results show that about 88 percent of the respondents' measure reserve adequacy in one way or another. There were 12 central banks that indicated they did not make this assessment, including seven institutions from middle-income countries.

Respondents who assess reserve adequacy most frequently reported using the

(i) import coverage method (78 percent) followed by
(ii) short-term external debt ratio (48 percent)
(iii) broad money ratio (36 percent) and the
(iv) IMF's ARA metric (36 percent)
(v) Of the 85 central banks who provided this information, 62 percent reported using at least two metrics and 40 percent employed at least three
(vi) All respondents in the group use import coverage metric.

Composition of Reserves

The latest data from IMF COFER shows continuation of the trend that the global foreign currency reserves are mainly invested in US dollar-denominated financial assets, while the euro is the second most-used reserve currency.

The US dollar continues to be the pre-eminent currency of issuance of safe assets, notably in the large and liquid US Treasury market. However Global Reserve Managers have, in recent years, diversified their portfolios towards non-traditional reserve currencies, including the Chinese Renminbi. Before the global financial crisis, the US dollar and the euro accounted jointly for almost 90% of foreign currency reserve holdings. Since the crisis, however, the rise in the share of non-traditional reserve currencies such as the Canadian dollar, the Australian dollar and the Chinese Renminbi in global reserves has been notable. Non-traditional reserve currencies now account for almost 8% of globally disclosed holdings, up from less than 2% before 2007. A lot of the diversification has come from consideration of the country's trading basket with other countries, and therefore the intent to directly invest in them rather than via the USD. Another trend is the importance of optimising the return on the investment tranches of the reserve portfolio. There have been some instances of consideration of investing in high risk bonds and equity as well, which hither to was completely absent.

Management of Reserves

The overall policy and adequacy intention determines the investment approach of the reserve manager. The legality of the framework then determines the boundaries in which reserves will get invested in. In terms of investment outcome priorities - liquidity, safety and optimal return are the ones to which reserve portfolios are tuned to.

Typically, Strategic Asset Allocation(SAA) is the stepping stone of the process. SAA is the primary driver of a reserve manager's investment performance. Building a SAA involves multiple steps that aim to translate investment policy into an asset allocation that achieves a central bank's investment objectives. As a first step, an institution decides whether to use tranching as a tool to build its SAA (most central banks use this approach). Post that it identifies eligible currencies and asset classes. Investments denominated in these currencies and matching these financial instruments may be included in its reserve portfolio.

Although eligible currencies are the known five, but reserve managers typically have the bulk in the U.S. dollar and the Euro. However, reserve manager portfolios show that they invest in assets denominated in the British pound sterling and the Japanese yen. Another important trend is the inclusion of the Renminbi as part of their currency composition, especially post 2016.

Macroeconomic considerations like intervention needs, nature of external debt and ALM factors coupled with portfolio concerns actually influence the composition of reserves. Use of currency as a tool to enhance return is seen only in investment tranches.

The last leg in the management piece is the use of External Asset managers (EAM) in the process of reserve management. Majority of central banks are known to have deployed EAMs as a part of the process. The key driver is augmentation of bandwidth and capacity building at their end. Benchmarking to internal performance, enhancing of return are other prominent drivers. It must be noted that, on an average, not more than 5-10% of the assets are given out to EAM.

In conclusion, although not so visible, the reserve management aspect is vital to economies, especially in today's integrated world as it has a bearing on a wide range of variables affecting the country's economic well being.

Nilesh G. Hunswadkar is the Founder of Athang Business Consulting, aimed to provide 'business solutions that work'. It assists businesses across sectors, with cutting edge insights and execution capability for growth. It also offers advise on navigating bottlenecks that businesses encounter. One of the important services it offers is - guidance on setting up business in India, especially in the financial services industry. Nilesh has comprehensive experience in the business field, having worked with reputed companies like HDFC Bank and Franklin Templeton before setting up Athang. Do reach out to get the Athang advantage!

Feature

INDIA FINALLY JOINS THE PRIVACY BANDWAGON



NANDA MOHAN SHENOY

Director & CEO

BESTFIT BUSINESS SOLUTIONS PVT. LTD.

> In this digital age digital footprints are created everywhere right from what a man eats, where he travels, what he watches and what he buys. This is a clear example of intrusion of privacy and obvious this data should not be openly available and known to any third party.

1. Preamble-Global:
Ever since the enactment of the General Data Protection Regulation, popularly known as the GDPR (2016/79) by the European Union in April 2016 and enforced from 25th May 2018, the new Buzzword in the Global Risk and Compliance is Privacy. The irony of the situation is that if one reads through the 99 Articles and 173 Recitals of the GDPR the word Privacy has not been used even once. However, privacy is directly related to the Personal Data.

Cambridge dictionary defines Privacy as "someone's right to keep their personal matters and relationships secret"

In this digital age digital footprints are created everywhere right from what a man eats, where he travels, what he watches and what he buys. This is a clear example of intrusion of privacy and obvious this data should generally be not openly available and known to any third party.

The objective of the GDPR is to protect those elements of Personal Data that is lying in bits and bytes of the Data Subject (the Data belonging to the person) transgressing the boundaries. The Data Subject may totally be in the dark to know where his data is residing.

After the EU the California State of USA was the next to join the Privacy Bandwagon by the enactment of the California Consumer Privacy Act (CCPA) which was signed into Law on 28th June 2018.

Brazil is the latest kid in the block with the enactment of The Brazilian General Data Protection Law ("Lei Geral de Proteção de Dados" or "LGPD"), passed by The National Congress of Brazil on August 14 2019, is slated to come into effect on August 15, 2020, six months after the initially scheduled date of February 2020

2. Indian Context
The Personal Data Protection Bill 2019 (PDPB 2019 in short) -Bill No 373 of 2019 was tabled in the Lower House of the Parliament on 11th December 2019.

The Bill has been referred to a Select Committee of the Parliament headed by Ms. Meenakshi Lekhi rather than to the IT Standing Committee headed by Shashi Tharoor.

Most of us believe that the Information technology group or Information Security Group must be responsible for the Data Protection in the entire life cycle. This is absolute fallacy. The role of IT is utmost 30% while the remaining lies with the Legal, Operations and Customer Onboarding teams equally.

The background of this bill can be traced to the famous Supreme Court hearing on the writ petition (civil)no 494 of 2012 Justice K.S. Puttaswamy (Retd.) and another Vs Union of India and others with respect to Right to privacy as a Fundamental Right.

During the course of the hearing the Government of India appointed a Committee of Experts under the Chairmanship of Justice B N Srikrishna, Former Judge, Supreme Court of India, to identify key data protection issues in India and recommend methods of addressing them. A 243-page document was released for Public Comments on 27th Nov 2017 and comments were received till 31st Dec 2017. The 62-page Personal Data Protection Bill, 2018 Draft was submitted by Justice B N Srikrishna, Former Judge, Supreme Court of India to Mr. Ravishankar Prasad on 27th July 2018.The same was open for Public Comments till mid October 2018.There were a couple of hiccups in the cross-border data transfer section which raised the eyebrows of many international commercial organisation. The Government received lot of flak for these sections.

In the meantime, the elections were around the corner and post the elections the Government had much higher priorities like the Art 370 etc as a result the Bill could not see the light of the day. There was huge lobbying and feedback back from multiple organisations, industry bodies etc and the Bill was modified/diluted to a certain extent before the same was finally tabled in the Parliament.

The Select Committee also has once again invited public comments on 3rd February 2020 and the deadline for submission of comments was 24th Feb 2020. Hopefully the Final Bill may be passed in the Budget Session.

There has been an overlap of regulations in India. The "Draft National E-Commerce Policy" published by The Ministry of e Commerce in Feb 2019, had data as one of the six broad issues of the e-commerce ecosystem. However, the same has been put on hold due to the overlaps. Similarly, TRAI in July 2018 had released the Recommendations on Privacy, Security and Ownership of the Data in the Telecom Sector

3. Information Technology Act 2000 and the present Bill
The origin of some of the sections in the present avatar of the bill can be traced to the Information Technology Act 2000 and The Information Technology (Reasonable Security Practices and Procedures and Sensitive Personal Data Or Information) Rules, 2011.This is mentioned in the Schedule 1 of the Bill which clearly mentions that Sec 43 A and 87 (2) (ob) of the IT Act will be repealed.

On a closer scrutiny of the SPDI Rules as mentioned the following can be easily mapped to PDPB as below:

#	PDPB 2019	Reasonable Security Practices and Procedures and Sensitive Personal Data or Information- Rules, 2011
1	S4. Prohibition of processing of personal data	Rule 3-(viii)
2	S5. Limitation on purpose of processing of personal data	Rule-5(5)
3	S6. Limitation on collection of personal data	Rule 5-(1), 5(2)
4	S9. Restriction on retention of personal data.	Rule -5(4)
5	S17-Confirmation & Access, S18- Correction & Erasure	Rule 5(6
6	S22. Privacy by Design	Rule-4 (1)

This depicts that the spirit of the IT Act is retained in the new Bill.

4. GDPR and the Indian Bill
On a close reading of the GDPR and the Indian Bill there are a number of concepts which has been directly borrowed from the GDPR. Some jargons are changed while there are some new unique concepts introduced.

The key jargons changed are as follows:

GDPR	PDPB
Data Subject	Data Principal
Data Controller	Data Fiduciary
Pseudonymization	De-identification

5. Criticism of the Bill
The opposition is crying foul on Sec 35 of the Bill. This is going to be the most debated and discussed section in the entire Bill. Section 35 deals about the Power of Central Government to exempt any agency of Government from application of the Act.

The section reads as follows:

"Where the Central Government is satisfied that it is necessary or expedient, -

(i) in the interest of sovereignty and integrity of India, the security of the State, friendly relations with foreign States, public order; or

(ii) for preventing incitement to the commission of any cognizable

offence relating to sovereignty and integrity of India, the security of the State, friendly relations with foreign States, public order, it may, by order, for reasons to be recorded in writing, direct that all or any of the provisions of this Act shall not apply to any agency of the Government in respect of processing of such personal data, as may be specified in the order subject **to such procedure, safeguards and oversight mechanism to be followed by the agency, as may be prescribed.'**

This is only an enabling provision. The reader is invited to re-read the above section highlighted in bold.

Any mechanism is not an open statement as the critics of the bill. One will have to wait for the details of the procedure safeguards and oversight mechanism defined before reacting to this clause.

I am reminded about one of the Shakespeare play "Much ado about Nothing".

The criticism could have been easily averted by enacting the provision similar to Sec 33 Sub section 1 of the Aadhaar Act wherein the Judge of the High Court can order the disclosure of information. Similarly Sub Section (2) of Sec 33 which can be ordered by the Secretary to the Government of India in the interest of National Security

6. Privacy Vs Security Conundrum

The Social Media has given a new twist to the entire Privacy domain. Most of us in the Social media would have shared their date of birth and contact details in Facebook and other media.

The Government of India has instructed Social media companies to ensure traceability of each social media account with an objective of ensuring traceability of the person propogating fake news .videos etc These Social companies have approached the Madras High Court to permit them to link the Face-book accounts to Aadhaar. However, the Supreme Court has restrained the Madras High Court from passing final orders on Aadhaar -social media account linking, WhatsApp case.

This is a diametrically opposite to the Privacy of the individual. In the Justice Puttaswamy case mentioned above:

"(ii) One of the chief concerns is that 'while the web is a source of lawful activity - both personal and commercial, concerns of National security intervene since the seamless structure of the web can be exploited by terrorist to wreak havoc and destruction on civilized societies.' Noting an article of Richard A. Posner, which says 'privacy is the terrorist's best friend.' It is observed that this formulation indicates that State has legitimate interest when it monitors the web to secure the Nation"

The biggest challenge of any state is to strike the delicate balance between Privacy and Security.

...to be continued

The views and opinions expressed in this article are the personal view of the Author and neither the views /opinions of BSE Broker's Forum or Bestfit Business Solutions Pvt. Ltd.

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Feature

AN OVERVIEW OF THE PARADIGM OF EMPOWERING ECONOMIC GROWTH: FUNDAMENTAL ISSUES



PROFESSOR PIYA MAHTANEY

Economist / Author

"The main theme of this article is to present an overview of what is meant by empowering economic growth which needs to be differentiated from economic growth that is disembodied from development. In as much as there needs to be an increase in growth rates, the expansive percolation of the benefits that stem from increasing growth rates is equally if not more critical."

Economic Progress, pathways leading to it, its outcomes and the way forward have been a subject of deliberation and analysis. Perspectives and inferences vary across multidimensional contexts but the commonality is that much more than a maximization of economic growth rates is required to enable a sustained and broad expansion of progress. An analysis of empirical evidence pertinent to the dynamics underlying growth and development has been at the core of my research in the ambit of development economics. One of the main observations that I have cited through my work is that there exists a gap between growth and development in that it is the basis of growth that determines its outcomes, in other words it is important to differentiate between an increase in growth rates which leads to rising levels of development and those which do not. The main theme of this article is to present an overview of what is meant by empowering economic growth which needs to be differentiated from economic growth that is disembodied from development. In as much as there needs to be an increase in growth rates, the expansive percolation of the benefits that stem from increasing growth rates is equally if not more critical. It would be misleading to attribute the present challenges confronting the global economy to a lack of growth, it is the stark inadequacy of facilitating mechanisms required for a given increase in economic growth rates to translate into a broad based improvement in developmental outcomes that is the basic reason for the impediments to sustainable development. The rather extreme inequalities of income that characterize the global economy are a manifestation of this gap between growth and development. As the human development report (HDR) (2019 explains, ` Such inequalities in human development hurt societies, weakening social cohesion and people's trust in government, institutions and each other. Most hurt economies, wastefully preventing people from reaching their full potential at work and in life… The first two decades of the 21st century have seen remarkable progress in reducing extreme deprivations, but gaps remain unacceptably wide for a range of capabilities - the freedoms for people to be and do desirable things such as go to school get a job or have enough to eat… Redressing inequalities in human development in the 21st century is possible- if we act now, before imbalances in economic power translate into entrenched political dominance. Improvements in inequality for some basic capabilities show

that progress is possible. But the record of progress in basic capabilities in the past will not respond to people's aspirations for this century. And doubling down on reducing inequalities in basic capabilities further, while needed, is not enough. If enhanced capabilities are indeed associated with more empowerment, ignoring the gaps that are opening up in them can alienate policymakers from people's agency-their ability to make choices that fulfil their aspirations and values."

To view the imperative of reducing the inequalities of incomes as an ideological issues is misplaced and even outdated simply because economic progress crucially depends on mitigating if not eliminating those impediments which constrain capability building and it is a prolonged omission on the frontier of equitable growth that has resulted in stark disparities that is certainly not conducive to higher levels of development. It must be mentioned is that equitable growth does not imply the absence of inequality what it means is the elimination of stark income and non income disparities. It would be useful at this point to use an illustration to make this point:

Affordability : Was there an expansion in per capita incomes
Accessibility Was there an increase in the access that poorer segments had to social and physical infrastructure
Availability : Did the expansion of goods and services translate into a broad based expansion of the other two parameters

As indicated above an increased availability or production of goods and services denominated by the rising levels of growth during the pre-2008 phase did not lead to either a commensurate expansion in employment, productive investment and poverty reduction. This is a trend that is unsustainable because it can lead to disempowering growth. This takes us to an explanation of what is meant by an Empowering paradigm of economic progress. In a book titled Globalization and Sustainable Economic Development (Palgrave Macmillan, 2007) my attempt was to evolve a basic development paradigm which would consist of three broad constituents: P-EPP Growth, Effective Economic management and Economic Reform. Notably each of these constituents do not represent a single variable but a set of variables and processes, as such P-EPP growth is essentially about growth strategies that are that are pro environment, people and prosperity. Facilitating rising levels of P-EPP entails effective economic management (EEM) which is the continuous endeavour to improve and optimize the management of a country's resources and create new sources of growth and opportunity creation. Context, endowments and Constraints define the boundaries of economic progress and determine the how effective a particular `strategy has been. When increasing levels of endowments does not enable a nation to overcome its challenges the reason for this almost invariably stems from weaknesses in economic management. More than anything else the story of economic transformation is about economic management which is a critical determinant of prosperity and its duration.

For a better illustration of this point compare a business enterprise with a nation. Even a modest sized company cannot disassociate its profitability benchmarks from an entire range of functions that include marketing, human resource development, corporate governance, business development and inventory management. The vast difference between the scale of operation involved in a single company and the relatively gigantic and multivariate task of managing a country may make this is a peculiar example. Be that as it may the fact remains that even a business entity cannot adopt a narrow based view of its operational, functional and viability norms. In a larger and on a broader scale this principle applies to a nation.

The third constituent is Economic Reform- compare the process of reform in any country to the process of human evolution. The commonality is that both do not cease. At various levels of development a country has to adapt and reorient its systems to newer sources of economic progress. Thus the distinguishing feature is the kind of reforms that a country needs to undertake as this will vary in accordance to the prevalent socio-economic and political structures in each nation. The fundamental function of economic reform in every country is similar- create or transform systems and sustain structures that will

support higher levels of growth and development

Two important aspects of economic reform in any nation are the institutional framework and investment climate. The institutional framework in any nation consists of government agencies, financial institutions, business enterprises and civil society The role that economic reform will play in steering the course of economic progress in the global economy is undeniable is it in the context of enabling a quicker pace of recovery for those nations most impacted by the crisis of 2008 or enabling the fastest growing nations of India and China to overcome the present challenges. When capital is scarce it represents a constraint however when an abundance of finance is veritably squandered away it is a serious systemic flaw. This fact is strikingly epitomised by the financial crisis of 2008 that was an outcome of capital mismanagement and impending financial reform that never occurred.

According to the report by the Commission of Growth and Development (2008), ``The policy underpinnings of sustained, high growth create an environment for high levels of investment, job creation, competition, mobility of resources, social protections, equity, and inclusiveness. It would be going a little too far to describe them all as necessary conditions. Our view is that an understanding of the dynamics and a focused attention on the policy foundations will signify cantly increase the chances of accelerating growth. Conversely, persistent inattention to them will eventually harm it. There are many different recipes for pasta. The precise ingredients and timing are different for each. But if you leave out the salt or boil it too long, the results are distinctly inferior." The growth prescriptions underlying sustained economic transformation differ because country contexts vary however the levers of economic progress are common to all. To envision sustainable economic development without empowering economic growth is thus not possible. The discussion about the paradigm of empowering economic progress continues in the next article for Econ Buzz.

Piya Mahtaney completed her second Master's in Development Economics from Leicester University in England she embarked on a career in journalism with the Times of India. She was an assistant editor in Metropolis on Saturday, subsequent to which she joined as senior feature writer in Economic Times. As an economist that reported, analyzed and wrote on a wide range of socio-economic issues, writing a book about economic development and the emerging trends of globalisation seemed almost inevitable

The books that she has authored are as follows:

- India China and Globalization (2nd ed), Palgrave Macmillan (England), December 2014
- Globalization and Sustainable Economic Development, Palgrave Macmillan (U.S), August 1st 2013
- Institute of South East Asian Studies (Singapore) published an edition (August 2010) of my book India China and Globalisation.
- The first edition of India China and Globalisation was published by Palgrave Macmillan (England, 2007)
- Globalisation Con Game or Reality was published by Alchemy Publishers, India (2004) 2004.
- The first book titled Economic Con Game, Development fact or Fiction was published by Pelanduk Publications (Malaysia) in 2002.

Feature

GST RECONCILIATION



NEHA AHUJA

Advocate

> The taxpayers must reconcile their data on a regular basis with that of the vendors to claim eligible Input Tax Credit (ITC). The process of reconciliation is simple, but can be time-consuming, as the taxpayers are required to continuously keep an eye on any discrepancy or mismatches that may affect the ITC claim.

The procedure of reconciliation and matching of GST returns is not new for taxpayers as it was prevalent in the previous VAT and excise regime. Before, the matching of data was done between the books of account sand tax returns which was an easy task. In case of any discrepancy, the authorities would communicate the same to the taxpayer and accordingly further audits and scrutiny would be carried out.

GST reconciliation is a recurring event, it must be performed periodically to claim maximum credit and to avoid mismatches on a larger scale. The taxpayers must reconcile their data on a regular basis with that of the vendors to claim eligible Input Tax Credit (ITC). The process of reconciliation is simple, but can be time-consuming, as the taxpayers are required to continuously keep an eye on any discrepancy or mismatches that may affect the ITC claim.

steps-

- Under the reconciliation process of GST for the financial year (FY) 2017-18, the taxpayers are required to mandatorily file all the periodic GST returns. Even if the due date for a particular GST return is missed, it should be filed along with the interest or the late fees as applicable. As long as the GST returns are not filed, matching and reconciliation process will not take off. The taxpayers need to update their books of accounts and align the tax returns accordingly. Unless and until all the GST returns are filed, the taxpayers won't be able to claim adequate ITC.

- Furthermore, the taxpayers should identify the mismatches and correct the relevant entries in the books of accounts. They should also amend these details in the coming GST return filing period. GST laws do not allow for revision of tax returns filed in the previous periods. However, it does allow for filing of the corrected entries via an amendment return in the next periodic return. These amendment entries should be filed in GSTR 1 & GSTR 3B, accordingly.

- Make sure you carefully match the purchase register with GSTR 3B (uploaded month wise) and with GSTR 2A details (uploaded by the supplier). It is important to streamline the books of accounts, the GSTR-3B return, and GSTR-2A form to fully avail the ITC on the relevant purchases; otherwise, the taxpayer will lose ITC claim and will end up paying extra taxes.

- The congruity between the books of accounts and the GST returns is crucial for claiming ITC. Additionally, taxpayers while claiming ITC on purchases should keep a check on taxes paid under the reverse charge mechanism. However, a taxpayer can only avail credit of taxes paid under reverse charge mechanism only if the goods and/or services are used or will be used for purpose of business.

- Communication is the key, especially amongst the vendors and customers. This coordination results in uniform reporting of the details in the GST returns. Chances of mismatches, omission or incorrect entries are reduced when the suppliers' and the recipients' synchronize their details and then file GST returns. It is also very important to identify the non-compliant vendors, interact with them, and resolve the queries; this will help the recipients maximise ITC. Now, advanced reconciliation software can help reduce this communication gap between the suppliers and the recipients. These software enable the users to send a reconciliation mismatch report to the vendors or suppliers to resolve any issue arising out of it.

- Lastly, the taxpayers should report all the rectified sale or purchase transactions of the Financial year.

The reconciliation of GST returns must be done appropriately on a regular basis. This can help identify and declare necessary changes within the stipulated time.

Neha Ahuja, Advocate

- Working as an Advocate in the field of Tax, Intellectual Property, Capital Markets & Securities, Anti-Corruption, Investigation, Manufacturing, Consumer Products, Industrial Products & Durables, Communications (Telecom & Broadcasting), Energy (Power, Coal, Oil & Gas),Mining, Civil and Criminal litigation. Specialized in Criminal Litigation.
- Working at Prompt Legal, which is one of India's leading independent law firms.
- Regular faculty at Jai Hind College of Commerce and Science for the subject of Law. Lectures given on the following Acts and Bills:
  Contract Law, 1872, Companies Act, 2013, Reserve Bank of India Act, 1934, Banking Regulation Act 1949, Negotiable Instruments Act 1881, Indian Insurance Act 1938, IRDA Act 1999, Consumer Protection Act, 1986, Ombudsmen Act 1975,Indian Stamp Act 1899, Indian Registration Act 1908, Lokpal and Lokayukta Bill.
- Worked as a Constitutional expert on several books published by Lexis Nexis namely "India Needs GST" 3rd Edition. Also, written textbooks at college level on the subject of IPR & Cyber Law published by Vipul Prakashan.
- Editor for Law Textbooks on the subject of Contract Law, 1872 and Negotiable Instrument Act 1881 published by Reliable Publication.
- On the panel as a Legal Committee member to social clubs such as the Cricket Club of India.
- Completed her Bachelors in Banking and Insurance (BBI). There after obtained a Masters degree in Commerce (Mcom) and then completed Legum Baccalaureus (LLB).



Feature

FINANCIAL FRAUDS AND ITS SOLUTIONS



JAYESH SHAH

Promoter

PRISM CYBERSOFT PRIVATE LIMITED

> The time has come for financial services organisations to pursue a more strategic approach to fraud management within. To overcome this challenge, they need strict and focused steps. There needs to be transparency at all levels in organisations to reduce frauds.

In the globalised and liberalised business environment of the last few years, we face a drastically increasing volume of frauds, especially in the financial sectors in India. The Indian financial services sector has witnessed exponential growth in the last decade-a growth that has not been without its pitfalls, as incidents of fraud have also been on the rise. Fraud results in significant losses to the public exchequer, thus adversely affecting service delivery. Financial fraud is big business, contributing to an estimated 20 billion USD in direct losses annually. Industry experts suspect that this figure is actually much higher, as firms cannot accurately identify and measure losses due to fraud. The worst effect of financial frauds is on FDI inflows into India. The time has come for financial services organisations to pursue a more strategic approach to fraud management within. To overcome this challenge, they need strict and focused steps. There needs to be transparency at all levels in organisations to reduce frauds.

In today's volatile economic environment, the opportunity and incentive to commit frauds have both increased. Instances of asset misappropriation, money laundering, cybercrime and accounting fraud are only increasing by the day. With changes in technology, frauds have taken the shape and modalities of organised crime, deploying increasingly sophisticated methods of perpetration. As financial transactions become increasingly technology-driven, they seem to have become the weapon of choice when it comes to fraudsters.

Evolving regulatory framework driving increased compliance among financial institutions

The regulatory framework in India is continuously evolving. Driven by the need for stricter regulatory compliance and the global standards of delivering financial products and services, the regulators can be seen as becoming more aggressive and stringent in enforcing the existing regulations. At the same time, they are also striving to constantly evolve these legislations and statutes to keep up with the international technology and service standards.

- Regulations governing financial institutions are set to have a huge impact.
- The reporting requirements of the financial sector have never been this stringent.

Backoffice solutions are gaining huge prominence in financial sector for meeting regulatory reporting requirements and in process setting standards to avoid financial frauds.

Backoffice solutions integrated with key features like Enhanced Supervision, GDPR, KYC, eKYC etc. help in identifying integrity of client's transaction and personal information.

Evolving risks in the financial services sector

While some of the risks in the financial services sector have always been there, they keep changing with the constantly evolving technology standards and regulatory framework.

- Cybercrime: A majority of the banks in India offer online and mobile banking services. Most of the transactions are conducted via payment cards, debit and credit cards, and electronic channels such as ATMs. Consequently, both private and public banks as well as other financial institutions in India are becoming increasingly vulnerable to sophisticated cyberattacks.
- Identity theft: With the proliferation of mobile devices and online platforms, the nature of identity theft has changed in today's world.
- Money laundering: India has witnessed numerous terror attacks and remains a potential target for such strikes. Stringent regulatory requirement and media scrutiny have made it mandatory for financial institutions to perform strict compliance checks to prevent the use of money laundering to fund terrorist activities.
- Loan loss: The risk of loan loss is high in India. Due to lack of appropriate due diligence and monitoring of loans, the number of loan defaults has increased in recent years. The non-performing assets are growing in last few years while the GDP has been declining.
- Data Theft: The storage of data and the retrieval systems are not protected and secured in many organisations. Due to same, data is easily available to insider for misuse.

Challenges and Opportunities in Fraud detection

When it comes to fraud detection, most financial services organizations face similar changes: Disparate Transaction Systems, Piecemeal Fraud Detections Solutions, and High Operational Costs.

The right fraud solution could deliver huge benefits across the business - driving down costs and risks, improving customer satisfaction and enabling innovation. To achieve this, the solution must be able to:

- **Enhance Information Credibility** by integrating disparate data sources (including unstructured text such as notes fields and call center logs)
- **Detect fraud faster with real-time integration** to authorization systems and on-demand scoring of all purchases, payments and non-monetary transactions.
- **Improve behavior monitoring of individuals** to incrementally detect fraud and reduce false positives by using data across all of a customer's accounts and transactions.
- **Uncover Hidden Relationships,** detect subtle patterns of behavior, prioritize suspicious cases and predict futures risks using advanced analytics - including complex rule writing capabilities.
- Minimize overall workloads with greater standardization, consistency and efficiency
- Prevent sophisticated internal and external fraudulent activities using advanced customer screening and real-time monitoring across channels
- Improve transaction integrity and ensure client trust by managing threats more effectively
- Proactively detect, profile and prioritize risky and non-compliant behavior using integrated analytics and AI.

Technology

The emergence of advanced big data and analytics technologies combined with huge increases in processing speed can help provide the means to counter the multi-channel, rapidly executed fraud campaigns of organized criminal gangs. Some best practices in utilizing these technologies:

- Multifaceted solutions - Many organizations successful in controlling financial crime apply a number of different controls even if they overlap. The most successful institutions are implementing tools and processes for cyber security, entity resolution (relationship analytics), malware detection, pattern analysis and real-time transaction scoring in combination. But there are limits as to how much can be practically deployed.
- Analytic agility - The cycle time between discovery of a new fraud pattern and the subsequent adjustments to the transaction scoring process to interdict it is a key factor.
- The trade finance industry has emerged as a key focus area for realising the efficiencies of Blockchain technology. Blockchain has the potential to disrupt the trade landscape by making it easier to reduce disputes and frauds to provide delivery and payment certainty, enable transparency of trade asset movement, and facilitate the flow of trade

trade receivables. The result: increased collaboration, automation and oversight in trade transactions. Blockchain technology will change the face of banking if banks can come together around a common joint platform. Trade finance frauds will motivate banks to adopt distributed digital ledger technologies in 2018.

For effectively using new technology involves a learning curve for many organizations. Clearly, training and platform simplification are important.

Here are some steps to take:

- Put a clear focus on segreg ation of duties (spread and rotate financial responsibilities, control who views sensitive documents)
- Offer internal and external audits (monthly profit and loss reviews, monthly balance sheet reviews)
- Develop protocols for electro nic banking transactions (e.g., limiting access, verbally confirming requests, two-step authentication process, safe guard data)
- Call recording system for all official transactions related conversation for desk and mobile phones
- Keep a check on behavior change in staff with respect to spending habits, fancy gazettes, cars, etc.

Few suggestions to be followed in day to day life are:

- Don't respond instantly to a unknown phone call, letter or email.
- If you receive email congratu lating that you have won the lottery. To avail lottery benefit, first you have to pay taxes and other charges. Please note that nobody can win lottery they did not enter.
- Avoid calls asking for charity and donation for victims, medical patients, orphans, old age home, as it may target to steal your credit card information.
- Don't download software from pop-up windows or don't click on any hyperlink as it may target to gain your personal information to access your bank account.
- Install anti-virus software and update it periodically.
- Always strengthen your password and make it tough to crack. Frequently change your passwords to protect your bank account and other sensitive information.
- Do not wire your money /credit or debit card to a stranger or who claims to be a friend or relative.
- Do not use unknown cyber cafe, free WiFi for financial or any other transactions. It may be set up for identity theft.
- Do online transactions from safe and reputed websites.
- Keep your official email and Mobile phone easily accessible and check emails and messages regularly.
- Never share your financial information to an individual or business for no reason even if the person is known to you.
- Please do not share your date of birth, Mother's Maiden Name, the City you Born and many other common questions which are common questions asked for unlocking password on any social media.
- Please do not share your location while you are on vacation on social media, it is a invitation for inviting trouble.
- Whenever you use credit or debit card, beware that it can be cloned to obtain financial advantage or use your balance. Further, never let your card out of your sight while making payment. Also retain your billing statements safely and sign the card in ink the moment you receive it.
- To avoid cheque frauds, don't sign the blank cheque before completing all details including the amount. Keep cheque book in a safe place and better to use net banking rather than cheque books.



Jayesh Shah holds B.S. and M.S. in Computer Engineering from University of Bridgeport, USA. He has more than 25 years of experience in field of IT.

He promoted Prism in 1996 and as its MD and CEO provides Vision, Direction and also takes care of Strategic Affairs, Marketing and Commercials.

Prism has recently been awarded by STPI & CeBIT INDIA for Best IT Exhibitor of 'Make in India' Pavilion at CeBIT India 2014.

Feature

GROWING OPPORTUNITIES IN INTERNATIONAL FINANCIAL SERVICES CENTRE AT GIFT CITY



DIPESH SHAH

INTERNATIONAL FINANCIAL SERVICES CENTRE (IFSC), GUJARAT INTERNATIONAL FINANCE TEC - CITY (GIFT CITY)

> "IFSC at GIFT City has great potential to bring back large volume of transactions from offshore centers to onshore in Indian IFSC. It can participate and take lead in providing international financial services in the Asian region."

Govt. of India (GoI) has taken initiative to develop International Finance Services Centre (IFSC) in India under the SEZ route to help India realise its' potential in International Financial Services (IFS).

Following the budget announcement in India in February 2015, the Hon'ble Finance Minister in his budget speech stated:

"While India produces some of the finest financial minds, including in international finance, they have few avenues in India to fully exhibit and exploit their strength to the country's advantage.

GIFT in Gujarat was envisaged as International Finance Centre that would actually become as good an International Finance Centre as Singapore or Dubai, which, incidentally, are largely manned by Indians. The proposal has languished for years. I am glad to announce that the first phase of GIFT will soon become a reality. Appropriate regulations will be issued in March."

Following the budget, the regulators namely the Securities Exchange Board of India ("SEBI"), Reserve Bank of India ("RBI") and the Insurance Regulatory and Development Authority of India ("IRDA") issued separate regulations to operationalize International Financial Services Centre in India under the provisions of the Special Economic Zone Act.

Current Position:

The approval for setting up IFSC in GIFT City, Gujarat was received in 2011 however the operating guidelines for IFSC issued only in April 2015 and with that it can be said that India took a small step in the big world of Financial Centres. India's first IFSC has now been approved by Govt of India at GIFT City, Gandhinagar and in October 2015, India's first IFSC Banking Unit got operational at GIFT IFSC.

GIFT City is fast emerging as Domestic and International Financial Services hub in the country.

At present around 225 companies are operating from GIFT City with around 10,000 employees. GIFT houses Commercial, residential and social facilities with state-of-the-art infrastructure. GIFT SEZ IFSC houses close to 165 companies from Banking, Insurance and Capital market.

In short time, GIFT City made substantial progress in getting recognition as India's model Smart City, starting India's first Multi Services SEZ and only approved International Financial Services Centre. The regulatory and business changes in the GIFT IFSC brought in Banks (now transacting more than US$ 26 Billion), International Exchanges, inaugurated by Hon'ble Prime Minister of India (now daily turnover > USD 4 bn) and Insurance & re-insurance companies for undertaking offshore transactions. IFSC Exchanges have listed bonds of around US$ 21 bn including Masala bonds.

IFSC Journey:

2011: Ministry of Commerce notified International Financial Services Centre at Multi Services SEZ, GIFT City subject to regulations issued by RBI, SEBI, IRDAI through Ministry of Finance

2015: Announcement of regulatory guidelines by RBI, SEBI and IRDA for Banking, Insurance and Capital Markets activities

2016: Competitive Tax regime announced for IFSC

2017: Exemptions provided under Companies Act for IFSC companies

2017: Tie-up with Singapore International Arbitration Centre for dispute resolution mechanism

2017: Starting of International Exchange (inauguration of first international exchange by Hon'ble Prime Minister), Banking Units and Insurance entities

2018: Announcement of setting up of Unified Regulator in IFSC

2018: Additional tax reforms announced for IFSC

2019: Announcement to set up Aircraft leasing & financing activities in IFSC

2019: As on date 13 Banks, 19 insurance firms and around 50 Capital market entities licensed in IFSC

2019: IFSC Authority Bill received president ascent, Dec 2019 and is now IFSC Authority Act, 2019.

The brief details of the tax incentives at IFSC are mentioned at Picture - 2.

Picture - 2:



In the Union budget 2020-21, Govt. of India made significant announcements for GIFT IFSC. The key

highlights of the announcements are as follow:

Setting up of Bullion Exchange in IFSC	**To operationalise Rupee derivative trading IFSC**	**Reduction in Withholding tax from 5% to 4% for bonds listed in IFSC**

Exemption from Stamp duty for trading in IFSC Exchanges



The current IFSC business update is follow

IFSC – Business update

Sr No	Player	Key business activities and features	Volume and No. of players
1	Stock exchanges	• Dollar denominated products • Connected with global exchanges • Trading - 22 hours	• India INX and NSE IFSC stock exchange • Daily volume crossed USD 4 Bn+
2	IFSC banking units	• ECB Lending • Loan syndication and trade finance	• 13 IBUs • Business transactions - USD 26 Bn+
3	Brokers	• Institutional Broking services • Proprietary trading	• 40 Operational & 100+ licensed
4	Insurance players	• Reinsurance business • Insurance intermediaries	• 19+ players • Sum insured - USD 30 Bn+
5	IT & ITeS	• Legal & consultancy firm • IT companies	• 30+ entities

Dispute resolution – Singapore International Arbitration Centre (SIAC) › Connectivity - 20 minutes from Ahmedabad airport, & bus service available from Ahmedabad › Social amenities – Business clubs, school, hotel, residential apartments, etc. › 10000+ employees in GIFT City

CONCLUSION:

Our National ambition as set out by the Finance Minister is to make the Indian IFSC as competitive as Dubai, Singapore and Hong Kong. The primary objective of an IFSC is to provide benefits to both residents and non-residents in a way that will allow businesses that are currently outside of India to have an Indian presence. Moreover, such an influx in financial services related businesses will not only bring qualified professionals working abroad to India but will also provide an opportunity to Indian professionals to pursue global careers while still residing and working in India.

The IFSC will allow businesses that are currently not being done in India to be done in India. It will allow qualified professionals working outside India to come to India and carry out their business. This will result in getting back those businesses which were being done from India at a point of time but due to various reasons have resulted in them being doing from other countries which provide competitive tax regimes. An IFSC will also establish a platform for qualified Indian professionals to pursue global opportunities by residing and working in India rather than moving to foreign countries. It will effectively try and stop brain drain from the country. Separately, it will also result in re-importing our securities market and will create employment for people residing in India.

IFSC at GIFT City has great potential to bring back large volume of transactions from offshore centers to onshore in Indian IFSC. It can participate and take lead in providing international financial services in the Asian region.

Dipesh Shah, Head (IFSC Dept.) Gujarat International Finance Tec-City Co. Ltd. (GIFT). GIFT City is developing Domestic and International Financial Services hub in Gandhinagar, Gujarat. Mr. Shah has over 18 years of professional experience in International Business, Project Development, Corporate Affairs, Corporate Law & Policy matters.

His most prominent achievement includes setting up and operationalizing India's 1st Smart City and International Financial Services Centre (IFSC).

In last 12 years, during his tenure, GIFT City made substantial progress in getting recognition as India's model Smart City, starting India's first Multi Services SEZ and only approved International Financial Services Centre. He brought in the regulatory and business changes in the GIFT IFSC to bring in Banks (now transacting more than US$ 24 Billion), International Exchanges, inaugurated by Hon'ble Prime Minister of India (now daily turnover > USD 4 bn) and Insurance & re-insurance companies for undertaking offshore transactions. He has developed various business structures for Financial Services & related businesses in Special Economic Zone.

He has negotiated and tied up various International Co-operations for GIFT IFSC covering various jurisdiction namely Singapore, Dubai, Abu Dhabi and Mauritius, New York, London. He is leading the GIFT IFSC efforts for tie up with Global exchanges and participation of Foreign institutions in GIFT.

He is a Bachelor of Commerce and is Chartered Secretary from Institute of Company Secretaries of India (ICSI) & Institute of Chartered Secretaries & Administrators, UK and has Post Graduate Diploma in Business Management (PGDM – MBA) from Nirma University, India with specialization in International Business & Finance. He is currently pursuing his Doctoral Program (PHD) in International Financial Services Centre (IFSC).

Feature

SEBI BOOSTER TO DEBT SECURITIES MARKET AT IFSC



NIRAJ KUMAR HARODIA

Director

JPNR CORPORATE CONSULTANTS PRIVATE LIMITED

> Debt securities means a non-convertible debt securities which create or acknowledge indebtedness, and include debenture, bonds and such other securities of a body corporate or any statutory body constituted by virtue of a legislation, whether constituting a charge on the assets of the body corporate or not, but excludes bonds issued by Government or such other bodies as may be specified by the Board, security receipts and securitized debt instruments.

This is our twenty fourth release in the series of awareness articles on IFSC

1.0. Synopsis of our previous issue on IFSC

In our previous issue, we had laid down the critical impact of Union Budget, 2020 on GIFT IFSC. It had proposed to cut withholding tax to boost listing of bonds at IFSC exchange. Apart from the same, proposal to set up an international bullion exchange at IFSC in GIFT City & to exempt levy of stamp duty on transactions in stock exchanges established in IFSC has been made.

2.0. Coverage in the current issue

In the current release, we shall analyse the SEBI Circulars on debt securities and the related norms in SEBI IFSC Guidelines. It is worthwhile mentioning that the aforesaid circulars may have crucial impact on debt securities market at IFSC.

3.0. Introduction

Debt Securities has not been defined under the Securities and Exchange Board of India (International Financial Services Centres) Guidelines, 2015 ('the guidelines'). However, pursuant to the Para 2(2) of the guidelines:

"Words and expressions used and not defined in these guidelines but defined in the SEBI Act, the Securities Contracts (Regulation) Act, 1956, the Depositories Act, 1996, Companies Act, 2013, the Special Economic Zones Act, 2005 or any rules or regulations made there under shall have the same meanings respectively assigned to them in those Acts, rules or regulations or any statutory modification or re-enactment thereto, as the case may be."

Considering the above guideline, the definition of debt securities may be derived from the Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008. The definition has been reproduced below:

"Debt securities means a non-convertible debt securities which create or acknowledge indebtedness, and include debenture, bonds and such other securities of a body corporate or any statutory body constituted by virtue of a legislation, whether constituting a charge on the assets of the body corporate or not, but excludes bonds issued by Government or such other bodies as may be specified by the Board, security receipts and securitized debt instruments"

Debt securities may be issued by way of:

- Public issue
- Private placement

However, a private company can issue debt securities only on private placement basis.

4.0. Procedural framework

4.1. Eligibility criteria of an issuer of debt securities in IFSC

In order to issue debt securities, the issuer must meet all the following eligibility criteria:

- The issuer is eligible to issue debt securities as per its constitution;
- The issuer should not have been debarred by any regulatory authority in its home jurisdiction or any other jurisdiction, where it is operating or has raised any capital;
- The issuer or its directors should not be convicted of any economic offence in its home jurisdiction or any other jurisdiction where it is operating or has raised any capital;
- Any other criteria as may be specified by the Board.

4.2. Requirement of mandatory listing of debt securities

An issuer desirous of issuing debt securities in IFSC shall mandatorily get such debt securities listed on one or more stock exchanges set up in IFSC. Further, SEBI vide circular no. SEBI/HO/MRD/DRMNP/CIR/P/2017/96 dated August 31, 2017 has permitted those debt securities which are issued outside IFSC to get listed on the exchanges at IFSC. Debt securities issued by issuer resident outside IFSC and willing to get such securities listed at IFSC exchanges shall be a resident of a jurisdiction which is a member of the Financial Action Task Force (FATF) and shall issue such securities in such jurisdiction.

Since India is also a member jurisdiction of the FATF, it may be construed that a company in India issuing debt securities in India or in any other member jurisdictions of the FATF has the opportunity to get such debt securities listed on any of the exchanges at IFSC.

However, it is noteworthy that a 'Person resident in India' shall invest or trade in Rupee denominated bonds issued and/or listed in IFSC within the limit permitted by the Reserve Bank of India. Further, a 'Person resident in India' shall also not invest or trade in debt securities other than Rupee denominated bonds, issued and/or listed in IFSC, by Indian entities.

4.3. Advertisement and issue of Offer Document

- Advertisement for debt issue may be made in any print media.
- Necessary disclosure regarding appointment of depository or custodian shall be made in the information memorandum while making public issue

4.4 Credit Rating

The guidelines state that the credit rating in case of issue and listing of debt securities may be obtained either from a recognized credit rating agency registered with SEBI or from any other credit rating agency registered in a foreign jurisdiction .

SEBI vide circular no. SEBI/HO/MRD/DRMNP/CIR/P/2017/97 dated August 31, 2017, has brought an amendment to this para stating that the debt securities listed in IFSC shall obtain credit rating either from SEBI registered agency or from an agency registered in a FATF member jurisdiction.

5.0. Conclusion

In the view of the guidelines prescribed for regulating activities related to debt securities at IFSC to streamline the debt securities norms, SEBI has also asked the stock exchanges to design a detailed framework with respect to the eligibility criteria for the issuers of debt securities, initial and continuous listing and compliance requirements with respect to issue of such securities by such eligible issuers, corporate governance and the clearing corporations to develop clearing and settlement framework for over the counter trades and put up those for approval of SEBI.

Niraj Kumar Harodia (FCA, ACS, B. Com)

He is a Director in JPNR Corporate Consultants Private Limited which is a business advisory and Consultancy Company, incorporated under Companies Act, 2013. The company is engaged in providing services related to Goods and Services Tax, advisory services to International Financial Service Center [Gujarat International Finance Tec-City (GIFT)]. During his association with Deloitte earlier, he has gained expertise in Banking and Real Estate Industries.

He is proficient in Direct and Indirect Taxation and he has been rendering advisory services in GST Impact Assessment in various industries namely Hotel, Construction, Real Estate, Coal, Agro Chemicals etc.

He is also a visiting faculty of GMCS, ICAI and is also the Chairman of Editorial Board of Direct Taxes Professional Association.

Feature

MEASURING EARNINGS QUALITY



SUMIT HEMNANI
Chief Investment Officer



DHARAN SHAH
Managing Partner
JAMNADAS VIRJI ADVISORY

> "Understanding quality of business earnings have multiple aspects and are not limited to, liquidity, strength of balance sheet, and transparency of an enterprise's financial reporting."

Most important factor that any investor stumbles upon before investing in any company is it's earnings. Higher the earnings, higher the share price. However, whether this higher share price will sustain or not depends on the earnings quality.

With the growing complexity in global business structures and advent of various financial products, it is imperative to make sure that the reported numbers by a company reflects the true state of its business and not what is just required for inflated stock price. Understanding quality of business earnings have multiple aspects and are not limited to, liquidity, strength of balance sheet, and transparency of an enterprise's financial reporting.

Analyzing quality of earnings can be divided into two broad segments:

a) **Quantitative -** Calculating multiple ratios on the premise t hat non-cash and non-recurring transactions are more subjective and susceptible to manipulation.
b) **Qualitative-** Transparency in accounting policies and disclosures by management.

Quantitative Analysis of earnings quality

We at **Jamnadas Virji Advisory** have formulated a **JVEQ Score** which considers multiple ratios that are then used to calculate a consolidated score through which we can segregate companies having Good, Bad or Average earnings quality. Following are some of the ratios that are considered for score:

1) CF as a % of Operating Profits -
This ratio indicates how much of the operating profits are actually getting translated into cash for the company. Higher accruals in earnings indicates an aggressive revenue booking. Higher cash flow as a % of operating profits indicates higher quality of earnings.

2) Debtors as a % of Net Sales - This ratio, a variation of debtors turnover ratio when calculated over a period of few years indicates how the bargaining power of a company as a 'supplier' is changing. If a sudden bump in this ratio is observed during low economic activity, it indicates aggressive revenue recognition practices are being adopted to manage earnings trends.

3) FCFF to Net sales - It is closely related to the ratio discussed in point 1 above. FCFF is Free Cash Flow for Firm which is cash flow attributable to Debt and Equity holders of the company. In case company is debt free, FCFF is equal to FCFE ie. Free Cash Flow for Equity. Higher the ratio, better it is. Generally a ratio which is above 10 is considered very good.

4) Capital Work-in-progress to Gross block - A company motivated to increase profits through accounting management can choose to capitalize certain expenses which are supposed to be recognized in the profit and loss account by charging the same to capital work in progress account. Since depreciation is not charged on capital work in progress, these expenses can further be deferred by the management. It thus becomes very important to analyze the trends in Capital-WIP.

5) Sales return ratio - When management is keen on achieving their annual targets by hook or a crook method, crooks may recognize non existent revenue during the year and then reverse these transactions by showing them as sales return the following year and they might repeat this process till company actually performs well and everything averages out.

6) Growth in key managerial remuneration to growth in revenue - This ratio though in itself won't indicate much about the earnings quality since management's remuneration is based on revenues and that is the reason some management engage in manipulating earnings. This ratio however could tell us more about situations where management is getting rewarded much more than the shareholders without actually improving the performance of the company.

7) Recurring profits to Net Profit - This will help in understanding the contribution of core business earnings to overall earning. Since core business earnings are less susceptible to manipulation than non recurring earnings, higher the ratio better it is.

8) Total Debt to Cash Flows - It shows whether the debt in the company is sustainable and to what extent. The ratio gives an idea as to how many years a company will take to repay its loan purely with its cash flows. In this case, lower the ratio better it is.

Qualitative Analysis of earnings quality

Some of the qualitative factors that can be assessed to understand earnings quality are:

1) **Accounting Policies -** Consistency in accounting policy is critical for an analyst to have better comparability. When accounting policies are frequently changed, it leads to distortion in comparability.
2) **Estimation -** It is also critical to understand how management is arriving at an estimation of certain transactions where accounting standards are silent and requires subjective judgement.
3) **Off balance sheet items -** There are multiple items which are not recorded onto financial statements. It is important to take note of them and assess them periodically.
4) **Related Party Transactions -** Since most of the accounting scandals are executed through related party, disclosures made by management needs to be verified for their merit.

The above list is only indicative. Understanding earnings quality of any company requires trend analysis of the above given ratio as well as judgement in distinguishing good governance and disclosure practices from the bad ones. It should be kept in mind that good earnings will be rewarded only when it is supported by good quality.

Some Stocks on our **JVEQ** Radar having negative score:

Stocks	2019
Interglobe Aviation Ltd.	-212.78
Larsen & Toubro Ltd.	-0.83
Bharat Heavy Electricals Ltd.	-0.44
Voltas Ltd.	-0.28
TVS Motor Company Ltd.	-0.20
Ashok Leyland Ltd.	-0.17
Mahindra & Mahindra Ltd.	-0.17

Sumit Hemnani (CA, BBA, BS Finance), Chief Investment Officer, Jamnadas Virji Advisory

Jamnadas Virji is one of India's oldest and most reputed broking firms with 100 years of legacy and the trust of thousands of HNI clients. At Jamnadas Virji Advisory, we bring the expertise, experience and dedication to make sure that investors make the best return on their Investments. With trust and honesty embedded into our brand Since 1919, we are the few survivors of the multiple tides that came along in the past 100 years.

Our secret is pure logic and strong values passed on since 5 generations. We combine our legacy with our USP to provide a perfect balance of expertise and experience.

Dharan Shah, (Managing Partner - JamnadasVirji Advisory)

BBA- Finance, Financial Speaker.Dharan descends from a lineage of highly experienced stock brokers. He is the 5th generation of one of India's oldest and most reputed firm JamnadasVirji. He is the brainchild & initiator of JamnadasVirji Advisory, that offers uniquely crafted products for investors and enthusiasts. He has over 11 years of experience in multiple fields related to the markets. He is the key strategist behind products offered by JamnadasVirji Advisory. His intense experience in customer interaction has been the driver to create profitable products for the end user, minutely customized to fit the customers profile.

Feature



(S) LAYING THE ECONOMIC FOUNDATION ?

GAURAV A PARIKH

Managing Director

JEENA SCRIPTECH ALPHA ADVISORS PVT. LTD.

> I continue to look bottom up for great Direct Equity Investment Opportunities and believe me there are quite a few of them. However, this column is to put forth a few of my concerning perspectives on our Economy and my focus will be on first showcasing the Disconnect as mentioned above before I dive into Deficits and Debt.

deduce ~ reach a conclusion by thinking about the information or evidence that is available.

deconstruct ~ reduce something to it's basic elements in order to interpret it in a different way.

Hey! I'm an optimistic guy who always sees the glass as half full. Even my Blood Group is B+ !

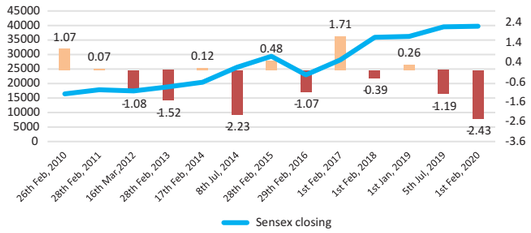
Thus, despite this **clear Disconnect between Declining Economic Growth and a Record Rising Sensex,** I continue to look bottom up for great Direct Equity Investment Opportunities and believe me there are quite a few of them. However, this column is to put forth a few of my concerning perspectives on our Economy and my focus will be on first showcasing the Disconnect as mentioned above before I dive into Deficits and Debt.

Our Union Budget and the Backdrop to it is a good way to present these perspectives.

Is the Union Budget a Non Event ?

The Sensex may react on the Budget Day as graphically shown below ,but going forward shrugs off this event sentiment and moves on, making the Budget more a Non Event.

Sensex % Change on Budget days from 2010-2020



Macroeconomic Backdrop

Declining Economic Growth | Growing Unemployment| Rising Sensex

Date of Budget (Pre Budget Date Figures)	Unit	10/7/2014	28/2/15	29/2/16	1/2/2017	1/2/2018	Interim 1 1/2/2019	Interim 2 5/7/2019	1/2/2020
Financial Year		**2014/15**	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2019/20**	**2019/20**
GDP	Rs Crs	12488000	13567192	15075429	16784679	18840731	21100607	21007439	20442233
GDP Growth Rate	%	7.2	8.6	11.1	11.3	13.3	12	10.5	7.5
Unemployment Rate	%	4.9	5	8.7	4.7	5.5	6.9	7.5	7.3
Fiscal Deficit/ GDP	%	4.1	3.9	3.5	3.5	3.4	3.3	3.4	3.8
Sensex	Level	25445	29220	23154	28743	34184	35867	39908	40723
Sensex Growth yoy	%	34.9	14.8	-20.8	24.1	18.9	4.9	11.3	13.5
Repo Rate	%	8	7.75	6.75	6.25	6	6.5	5.75	5.15
Exchange Rate	Rs/$	59.9	61.8	68.6	67.6	63.6	71.1	68.7	71.5
Inflation Rate	%	5.9	4.9	4.5	3.6	3.4	3.4	3	4.1/7.3
Forex Reserves	$ Bn	316	334	350	362	418	398	428	467
Oil Price	$/barrel	102.3	49.8	33.8	52.8	64.7	53.8	56.8	51.6
Gold	Rs/10g	28490	26477	29495	28823	30451	33305	34592	41230

Source : RBI,BSE,NSE,CMIE,Budget Documents,Jeena Scriptech Research

DISCONNECT ~ Declining Economic Growth vs Rising Record Sensex

Here's the clear Disconnect between the declining economic growth and the rising Sensex

Date of Budget (Pre Budget Date Figures)	Unit	10/7/2014	28/2/15	29/2/16	1/2/2017	1/2/2018	Interim 1 1/2/2019	Interim 2 5/7/2019	1/2/2020
Financial Year		**2014/15**	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2019/20**	**2019/20**
GDP Growth Rate	%	7.2	8.6	11.1	11.3	13.3	12	10.5	7.5
Sensex Before Budget		25445	29220	23154	28743	34184	35867	39908	40723
Sensex Growth yoy	%	34.9	14.8	-20.8	24.1	18.9	4.9	11.3	13.5

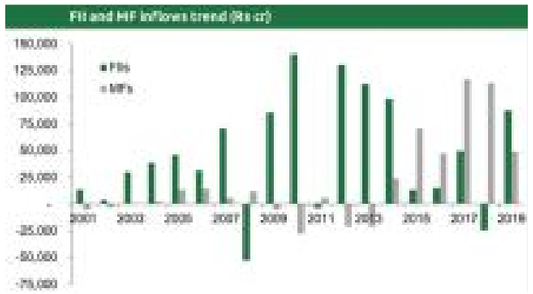
Jeena Scriptech Research

Why this Disconnect ?

Think of Equity as a Table with its four Legs being Valuation, Liquidity, Momentum and Sentiment.

Despite an alarming decline to 7.5% in FY 20 in the Nominal GDP Growth Rate as above the Sensex has risen significantly. Corporate Earnings to GDP has slumped to 3% from levels of over 7% just over a decade ago.

Stock Markets Legs of Momentum and Sentiment have been driven up by the Leg of High Liquidity Inflows from Foreign Portfolio Investment (FPI/FII) and Domestic Mutual Funds (MF) as Statistics in the tables below demonstrate.



Source : RBI,BSE,NSE,CMIE,Budget Documents,Jeena Scriptech Research

The High Mutual Fund Inflows into Indian Equity in the years 2017 to 2019 can be attributed as an outcome of Demonetisation in November 2016.

FPI Investments - Financial Year					
	In Rs Crs				
Financial Year	**Equity**	**Debt**	**Debt-VRR**	**Hybrid**	**Total**
2014-15	111333	166127	0	0	277461
2015-16	-14172	-4004	0	0	-18176
2016-17	55703	-7292	0	0	48411
2017-18	25635	119036	0	11	144682
2018-19	-88	-42357	0	3515	-38930
2019-20	65234	7995	2677	5301	78530
Total	**951735**	**379912**	**2677**	**8827**	**1340471**

FPI Net Investments in 2019 and 2020 up to February 6,2020					
	In Rs Crs				
Calendar Year	**Equity**	**Debt**	**Debt-VRR**	**Hybrid**	**Total**
2019	101122	25882	-	8995	135995
2020	11051	-13222	2677	-46	460

Source : NSDL

US $ 14 Billion have been pumped by FPIs into Indian Equity in 2019 and in just over a month in 2020 the FPI Inflow has crossed US $ 1.5 Billion

When have we seen before, in a Financial Year in this Millenium, where on a declining GDP Growth Rate, the Sensex has significantly risen? Here's the Table that will reveal this.

Year	GDP growth %	Change in GDP %	Change in Sensex %	FPI Equity Inflows US $ Billion
1999-2000	8.8			
2000-2001	3.8	-5.0	-23.8	1.4
2001-2002	4.8	1	-18.3	1.1
2003-2003	3.8	-1.02	3.5	0.4
2003-2004	7.9	4.1	72.6	5.6
2004-2005	7.9	-	12.4	6.1
2005-2006	7.9	-	41.8	6.8
2006-2007	8.1	0.2	46.3	3.5
2007-2008	7.7	-0.4	46.7	7.4
2008-2009	3.1	-4.6	-52.5	-6.6
2009-2010	7.9	4.8	79.7	15.3
2010-2011	7.5	-0.4	17.4	15.3
2011-2012	5.2	-2.3	-25.1	6.1
2012-2013	5.5	0.3	25.1	19.5
2013-2014	6.4	0.9	8.5	11.1
2014-2015	7.4	1	29.6	15.5
2015-2016	8	0.6	-5	-2
2016-2017	8.2	0.2	2	7.7
2017-2018	7.2	-1	27.5	3.6
2018-2019	6.8	-0.4	5.9	negligible
2019-2020	4.8	-2	14.08	7.3

Jeena Scriptech Research

The Table highlights a **clear disconnect in the past three financial years from 2017-18.**

In my view, at 4.8% GDP Real Growth in FY 20, we are at a low base and perhaps may see a marginal decline for the next two or three quarters before we once again rebound and resume a sustainable upward momentum in the coming years.

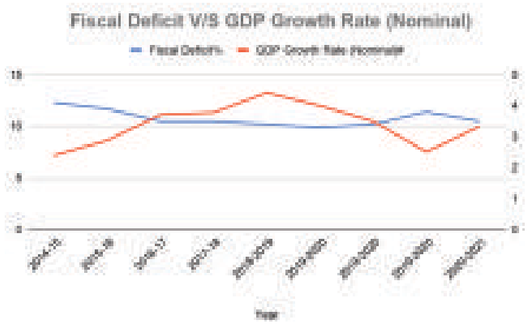
Our GDP will surely reach US $ Five Trillion, albeit not by the targeted FY 25, and with a prayer that the Rupee remains stable. **Any significant weakening of the Rupee will take this target even further away.**

One thing to keep in mind is that rising Inflation restricts RBI's ability to further reduce the repo rate in an endeavour to stimulate the economy.

DANCING WITH DEFICIT

	2018 - 2019	Interim 1 2019 - 2020	Interim 2 2019 - 2020	2019 - 2020	2020 - 2021
	Actual	Budget Estimate	Budget Estimate	Revised Estimate	Budget Estimate
Budget Date	1/2/2018	1/2/2019	5/7/2019	1/2/2020	1/2/2020
GDP (Rs Crs)	1,90,10,000	2,11,00,607	2,10,07,439	2,04,42,233	2,24,89,420
Nominal GDP Growth Rate %	13.3	12.0	10.5	7.5	10
Fiscal Deficit (Rs Crs)	6,49,418	7,03,760	7,03,999	7,66,846	7,96,337
Deficit / GDP %	3.4	3.3	3.4	3.8	3.5

Source : Budget Documents



The Fiscal Deficit is shown at 3.8% of GDP in FY 20 and marginally lower at 3.5% for FY 21. The Fiscal Deficit in FY 20 from an initial targeted Rs 7,03,760 crs has now been increased by a net Rs 63,086 crs to Rs 7,66,846 crs.

The Finance Minister, Mrs Nirmala Sitharaman by keeping this ratio at 3.8% has:

1. invoked the escape clause in the Fiscal Responsibility and Budget Management Act (FRBM) that allows a maximum upward deviation of 0.5 %.
2. addressed the risk of potential sovereign debt downgrade given the plan to increase Sovereign Debt.

The Reality is that there is a huge Deficit in disclosing the real Fiscal Deficit. As the table below shows, just the shortfall in both Corporate Tax and Disinvestment Receipts would have taken the Fiscal Deficit to 4.4% of GDP. The actual Fiscal Deficit is actually significantly much more than even this on account of off budget financing .

In Rs Crs	Initial FY 20	Revised FY 20	Differential	Adjusted FY 20
GDP	2,11,00,607	2,04,42,233	6,58,374	2,04,42,233
Corporate Tax Receipts	7,66,000	6,10,500	1,55,500	
Disinvestment Receipts	1,05,000	65,000	40,000	
Fiscal Deficit	7,03,760	7,66,846	63,086	8,99,260
Fiscal Deficit /GDP	3.3	3.8		4.4

So how has the Government been able to keep the Fiscal Deficit at 3.8% of the GDP?
I am not questioning the sanctity of the revised Total Tax Revenues Estimates for ongoing FY 20 even though there is growing concern that the government is optimistic on these and that there will be shortfall in the collection. One of the reasons I am not doubting these is the new 'one time' Settlement opportunity for disputed Direct Taxes being offered through a new 'Vivad se Viswas' Scheme that the government has announced in the Budget.

So I looked at the Expenditure Side

The government clearly has benefited in a lower Interest Outgo than originally budgeted for ,in part due to falling interest rates. Interest Outgo is significantly reduced by Rs 35366 crs.

In Rs Crs	Original FY 20 Estimates	Revised FY 20 Estimates	Differential Benefit
Interest Payments	6,60,471	6,25,105	35,366

Then in clearly what appears to be a deliberate balancing act to reduce the Fiscal Deficit, the Government has slashed the expenditure on Central Sector Schemes and Projects chiefly on Food Subsidies.

In Rs Crs	Original FY 20 Estimates	Revised FY 20 Estimates	Differential Benefit
Central Sector Schemes/ Projects	8,70,794	7,73,196	97,598

Of Which

In Rs Crs	Original FY 20 Estimates	Revised FY 20 Estimates	Differential Benefit
Food Subsidies	1,84,220	1,08,688	75,532

Thus the Budget Balancing Fiscal Deficit Maths becomes clearer.

		Rs in Crs
A	**Shortfall in Receipts**	
	Corporate Tax	1,55,500
	Disinvestment	40,000
		1,95,500
B	**Slashing of Expenditure**	
	Interest Payments	35,366
	Central Sector Schemes/Projects	97,598
		1,32,964
A-B	**Increase in Fiscal Deficit**	**62,536**
	Actual Fiscal Deficit Differential in Budget Estimates	**63,086**

Two thoughts cross my mind on this Dancing with the Deficit to balance the Budget to keep it at 3.8% of GDP

1. A Former Finance Minister, Mr P Chidambaram, in the UPA government had done a similar slashing of Expenditure in his FY 13 Union Budget just to show the Fiscal Deficit at lower than it actually should be. Yet it was as high as 5.2% of the GDP. He knocked off a whopping Rs.92,000 crs by reducing Plan Expenditure Estimates from the original estimates of Rs.5,21,000 crs to a revised Rs. 4,29,000 crs! This begs a question that most Government Plans and Projects are never really fully expended or else there would be no huge cushion for such cuts !

2. What was the need to reward the Corporate Sector on September 19,2019 when our FM, Mrs Nirmala Sitharaman ,announced, what should be seen as a forced measure, a Tax Bonanza for Corporates busting the Tax Rate from an effective high of 34.94% for most to an effective 25.168%. Government Sacrifice is Rs.1,45,000 crs or US $ 20 Billion in Corporate Tax Revenues .It's like the Government conceding to the Corporate Sector "Hey Guys! we're transferring our Revenues to you as you'll can put it to more productive use by funding an Investment Capex Cycle to stimulate more growth for better returns than we can through increased Government Spending".

Given the current economic scenario of the country and it's near stagflation condition where Demand appears to decline or stay stagnant despite rising inflation and monetary or fiscal growth stimulus measures that have been announced (Repeated Repo Rate Cuts have not transmitted into higher credit off take), **the government was in no position to announce such a Corporate Tax Rate Cut** even though this was a committed plan from 2014 when NDA came into power at the Centre with Prime Minister Mr. Narendra Modi at the helm. It should have been deferred to a few years down the road once Economy revives on a higher Growth track. **Remember this will be an annual sacrifice of Corporate Tax Revenues with a hope that in due course Tax Buoyancy will result to compensate. Corporate Tax Rate Cut announcement appears to have been to prop the Sensex and Nifty which were threatening to correct given the disconnect with an Economy in declining growth.**

Rajiv Kumar of Niti Aayog had opined in September 2019 that the Government will make up this loss of Corporate Tax Revenues through higher Non-Tax Revenues in FY 20. He clearly was referring to Disinvestment and RBI Transfers to the Government. Though the Disinvestment Target of Rs 1,05,000 crs in FY 20 has been revised down to Rs 65,000 crs the target for FY 21 has been raised to the highest ever at Rs. 2,10,000 crs. There has been an unprecedented transfer of Rs. 1,76,051 crs or US $ 25 Billion that RBI was induced to make to the Government post Budget in August 2019 of which a portion is out of RBI Reserves of earlier years & which has not been considered in the Budget Exercise. The transfer includes Rs. 1,23,414 crs of surplus for 2018-19 and Rs. 52,637 crore of excess provisions identified as per the revised economic capital framework.

The Table shows that Income Tax and Corporate Tax Revenues are converging, singularly due to the huge Corporate Tax Rate cut announced in September 2019 .

In Rs Crs

Year	2014-15	2015-16	2016-17	2017-18	2018-19 (RE)	2018-19	2019-20 (BE)	2019-20 I (BE)	2019-20 (RE)	2020-21 (BE)
Income Tax	2,65,733	2,87,637	3,64,604	4,30,772	5,29,000	4,73,003	5,69,000	6,20,000	5,59,500	6,38,000
Corporate Tax	4,28,925	4,53,228	4,84,924	5,71,202	6,71,000	6,63,572	7,66,000	7,60,000	6,10,500	6,81,000



DEBT ~ ARE SOVEREIGN BONDS THE SOLUTION?

Here's the Total Government Outstanding Debt Estimates.

	March 31,2020		March 31,2021	
	Rs Crs	US $ Billion	Rs Crs	US $ Billion
Internal Debt and Other Liabilities	97,25,254	1360	106,36,984	1488
External Debt	2,92,867	41	3,13,036	44
Total	100,18,121	1401	109,50,020	1532

Source : Budget Documents

Here's the Total Government and Non Government External Debt as on September 30,2019

Component	End March		End Sept. 2019 P
	2017	2018 PR	2019 PR
1	2	3	4	5
A. Sovereign Debt (1+2)	96.8	111.9	106.9
(As a percentage of GDP)	4.1	4.5	3.8
1. External Debt on Government account under External Assistance	63.8	66.6	66.6	70.8
2. Other Government External Debt @	33.1	45.4	39.3	36.1
B. Non-Government Debt #	375.1	417.5	436.6	463.7
(As a percentage of GDP)	15.9	15.9	15.8	16.2
C. Total External Debt (A+B)	471.9	529.3	543.2	557.5
(As a percentage of GDP)	19.9	20.1	19.8	20.1

PR: Partially Revised, P: Provisional

@: Other government external debt includes defence debt, investment in Treasury Bills/ government securities by FPIs, foreign central banks and international institutions and IMF.
#: Includes external debt of Monetary Authority
In US $ Billion Source : DEA

Here's the External Debt to GDP and FX Reserves to External Debt

As on March 31	External Debt	External Debt to GDP	FX Reserves to External Debt	Forex Reserves
	US $ Billion	%	%	US $ Billion
2014	446.2	23.9	68.2	304
2015	474.7	23.8	72	342
2016	484.8	23.4	74.3	360
2017	471	19.9	78.5	370
2018	529.3*	20.1	80.2	425
2019	543.2*	19.8	76	413
As on Sept 30,2019	557.5#	20.1	77.8	434
As on January 31,2020	570 ^	19.9 &	82.6	471
* Partially Revised	# Provisional	^ Assumed	& on lower revised budget GDP estimates	

Source : DEA,RBI

Are Sovereign Bonds the Solution ?

The US $ 106.9 Billion Sovereign Bonds External Debt as on September 30,2019 is:

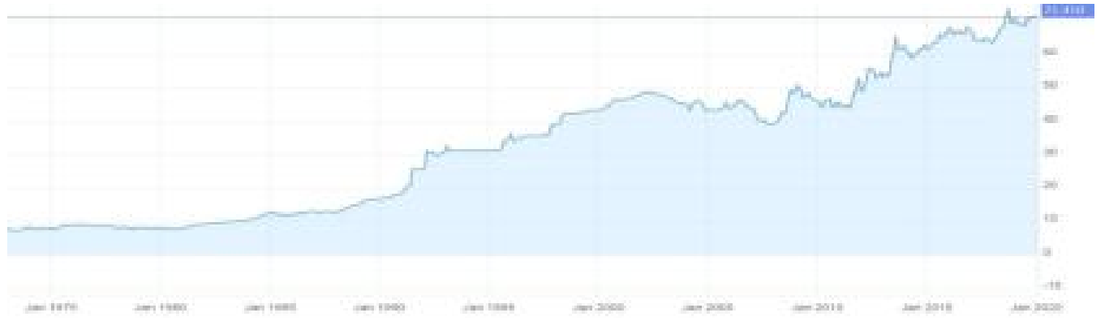
- **3.7 % of revised estimates of FY 20 GDP** of US $ 2.86 Trillion at current Exchange rate @ US $ = Rs 71.50
- 7.6% of Total Government Outstanding Debt estimates of US $ 1401 Billion for FY 20 excluding the US $ 70. 8 Billion shown as Govt external debt under external assistance
- 18.75 % of assumed Total Government and Non Government External Debt of US $ 570 Billion end FY 20

Current Government thinking, advocated even by it's Chief Economic Advisor (CEA), K Subramanian, is to increase the Sovereign Borrowing for funding Infrastructure given that currently the Sovereign Debt is at under 5 % of GDP.

The Union Budget 2020 has announced incentives to attract Sovereign Wealth Fund Investments with a minimum lock in for three years by offering 100% Tax Exemptions for Interest, Dividends and Capital Gains for such Investments if made in Infrastructure and notified sectors before March 31, 2024 .

In 2019 the CEA had expressed his view that India would be at an advantage in future repayments of such Sovereign Debt in foreign currencies as in his view the Rupee would appreciate thus creating a lower liability on both principal and interest.

History of the Indian Rupee does not support this optimism and there is a clear Exchange Rate Risk as can be observed from this trend from past near fifty years (refer to graph below) and the reality of existing stress in Exports & Manufacturing .If Global Tensions heighten then there would be Turm-Oil and further pressure on the Rupee on increasing Crude Prices as India continues to be an oil intensive nation that imports over 70% of it's Oil requirements.



I see a very clear Present and Future Danger in this dependence and reliance on funds from overseas to fund India's Growth:

1. Currency risk that will increase our sovereign debt liability on a depreciating rupee
2. An increasing foreign ownership of Indian Assets and Business

We need to aggressively tap domestic funding to reduce this external debt dependence. The Government has had limited success in monetizing private Gold in India and in Private Public Partnerships. It's falling back on Disinvestment and Privatisation as a source of Funds raises more questions than it answers.

Fresh Independent Effective Thinking without Bias, Fear or Favour is the critical need of the hour on the way forward to put India back on a sustainable high growth track. Government needs to bring together the 'Best Selfless Economic and Business Brains' in India and recognized unanimously and universally as such, rising above and across political and other differences to get India's growth momentum moving up again.

Then why think of a US $ 5 Trillion Economy in Five Years ~ we should be looking beyond at a US $ 10 Trillion Economy in 10 years!

Is this too much to ask for ?

I reiterate what I stated at the very beginning. Despite the Reality of the Disconnect ,Deficit and Debt, I remain an optimist and my blood group is B+ .

Gaurav A. Parikh is the Managing Director of Mumbai based Jeena Scriptech Alpha Advisors Pvt Ltd and a pioneering name in the field of Fundamental Equity Advisory, Research, Training and Mentoring. He has given several 100x Multibaggers this Millenium and has been featured for the last five years in a row in the Special Annual Edition of Outlook Business as one of India's best Stock Pickers. **"We don't need Santa Claus when we have Gaurav" is one testimonial he's received. Another was from an ex GM of BSE who had said of Gaurav "Mandir may aakar Prasad na mileh yeh hoh hee nahi sakta".** His popular blog www.gauravblog.com has been acclaimed as one of the best internationally and in India for Inspiring Investment Insights in Indian Equities and Life too and carries a super real tagline "In India, Companies may fall sick but Promoters rarely do".

Feature

UNVEILING THE MYSTERY OF CSR AND SUSTAINABILITY



HARSHA MUKHERJEE

Founder and Managing Director

IICSR Group

> Unlike many people who believe that CSR is a philanthropic activity with no gain or building Sustainable CSR, in recent times discussions have evolved the term "Strategic CSR". Strategic CSR ensures that any project taken has an exit strategy leading to sustainability of the project similar to an investment in a company or a start-up.

The terms CSR and Sustainability are often interchanged and undermined as soft subjects to be dealt with at the bottom. It is the impetus given by the Government of India and key stakeholders internationally that it has gained momentum. In this section we would address the questions around the basic understanding of the subject.

What is the difference between CSR and Sustainability?

	Vision	Targets	Business	Manage-ment	Reward	Drive
CSR	Corporate Social Responsibility looks backwards, reporting on what a business has done, typically in last 12 months to make a contribution to the society.	CSR tends to target opinion formers - politicians, pressure groups, medias.	CSR is becoming about compliance	CSR gets managed by communications team or as in India a dedicated CSR team in multi nationals.	CSR investment is rewarded by politicians	CSR is driven by the need to protect reputations in developed markets. CSR is a mandate in some industries for social license to operate.
Sustainability	Sustainability looks forward to planning the changes a business might make to secure its future (reducing the waste, assuring supply chains, developing new markets, building it's brand)	Sustainability targets the whole value chain - from suppliers to operations to partners to end-consumers	Sustainability is about business.	Sustainability is managed by operations and marketing	Sustainability investment is rewarded by the city (There is evidence that high Sustainability companies significantly outperform their counterparts over the long term)	Need to create opportunities in Emerging markets.

Reference: Sustainable CSR by Harsha Mukherjee

BROKERS FORUM
I ♥ Stock markets

In India, which companies fall under the ambit of CSR expense?

The Indian Government mandated the 2013 CSR Act from 1st March 2014 to public and private sector companies.

- The Bill states that GOI would follow a "comply or explain" rule. According to the law, 2% CSR is mandatory for companies during any fiscal year with:

(1) A net worth of rupees 500 crore (about U.S. $90 million) or more; or
(2) A turnover of rupees 1,000 crore (about U.S. $180 million) or more; or
(3) A net profit of rupees 5 crore (about U.S. $900,000) or more

- If the company is unable to spend, they have to explain to the government and on the failure of both a penalty between Rs. 50,000 to Rs. 25 Lakhs with an imprisonment of 3 years for the Director would be implied.

What are the benefits of adhering to CSR and Sustainability?

Unlike many people who believe that CSR is a philanthropic activity with no gain or building Sustainable CSR, in recent times discussions have evolved the term "Strategic CSR". Strategic CSR ensures that any project taken has an exit strategy leading to sustainability of the project similar to an investment in a company or a start-up. CSR funds are also used as seed funds or impact funds to start-ups or to support self-help groups and many similar models have been derived.

Thus, aligning with CSR enables a company to fulfil its SDG requirement, gain social license to operate, branding the company, outreach to the stakeholders who matter the most and other benefits.

Sustainability ensures a business to exist by re-innovating itself at every stage when the need arises. It is applicable to all the management verticals - Clean Supply chain and operations, cause based marketing, climate change, human rights, accountability and other areas to empower a business to last beyond its basic existence. Embedding frameworks in Environment, Social, Governance (ESG) and Sustainable Development Goals (SDGs) in a business is becoming the genesis for it to be known as "Sustainable".

The investment community has been focusing to invest in companies which are ESG and/or SDG compliant giving a direct benefit to companies following sustainability matrix.

How can any stock market play an active role to promote sustainability and CSR?

Trading on shares is the gene of any stock market. The stockbrokers can reward the companies compliant on CSR and Sustainability by giving preference to the shares of the respective companies. It is they who can give impetus to non-financial reporting and play the role of a game changer in the system. This step would encourage the corporate world to ingrain responsible practices in their very being and reap immediate recognition and rewards.

Harsha is a serial entrepreneur with expertise in conceptualising and implementing Corporate Social Responsibility (CSR) strategies for various private and public sector companies and Non-Governmental Organisation (NGOs) worldwide.

She has developed a CSR education eco-system by curating India's first Masters in Business Administration (MBA) in CSR for Pune based University.

She holds a degree in Engineering and Management and had worked in the United States and in the Middle East.

She has consulted on various CSR projects to Corporates and NGOs such as ESSAR Foundation, ALERT India Foundation - dedicated to leprosy affected patients, Omkar Builders - Corporate House, People mobilisation - L&T, Uday Skills - skills training social venture, Sanjay Ghodawat Group in Kolhapur, Mumbai International Airport Limited (MIAL), Empower People in Haryana working on human trafficking issue, Each One Teach One in Mumbai, Shekinah Foundation, Network for Physically Disabled Organisation (NPDO) (both working in differently-abled), Naandi Foundation and more.

She is the Founder and Managing Director of CSR Development Stories Private Limited (www.csrds.net), and International Institute of Corporate Social Responsibility (IICSR) (www.iicsr.com). She also runs a NGO, Ekjaa Foundation (www.ekjaa.org) in Mumbai.

She has been awarded National Social Entrepreneur Fellow (NSEF–2011) and selected as one of the "Top 10 Indian Women Entrepreneurs" by DELL Women Entrepreneur Network (DWEN–2012). She has also recognised the emerging significance of CSR and guided various private and public sector companies in developing their CSR strategies. She has been awarded CSR Visionary of 2012 by Lakshya Bhartiya Foundation (LBF) and CSR Women Leader - 2012 by Institute of Public Enterprises (IPE), GIANTS International Award (2013) for committed work in noble services and Women Excellence in CSR (2014) by Lala Management Institute - Mumbai, "CSR Author of the Year" - 2015 by IndiaCSR, "Top 50 rising star in India - 2016" by Barclays London and We are the city media house.

She has authored a book on "Sustainable CSR (CSR Basics)" in 2016. She works with various State governments, elected political leaders and corporates forming ideal balance for CSR projects. Recently, she forayed into rating companies on Sustainable development Goals by developing industry-specific frameworks and has initiated it with the publicly listed companies.

Feature

'GRAVE' MARKETS NEED INSPIRATIONAL LEADERSHIP EDGE



ADIL MALIA

CEO

'The FiRM'
(BUSINESS MANAGEMENT CONSULTING)

> Authentic Soulfulness requires ability to sacrifice. The authentic leader is willing to sacrifice himself. The pretender sacrifices too but he sacrifices others when the market challenges become adverse. Self-protection & perpetuation over-rides his agenda.

In the Value Creating markets that we operate in, there exist several prescriptions on what constitutes effective Leadership and what effective leaders are expected to do particularly the context of its 'GRAVE' nature...Gordian, Ruptured, Abstruse, Vulnerable and Enigmatic.

Whilst there is a huge stress on leadership competencies, deliveries and styles, somewhere ignored are two critical aspects of leadership... its 'Soulfulness' and 'Authenticity'.

This piece therefore focusses on criticality of leadership 'Soulfulness' and 'Authenticity' in providing organisations the cutting spiritual and inspirational edge that maketh a difference to its success.

Soulful leadership is purposeful. It is guided by an inner awakening through which leaders work diligently to increase not only their ongoing prosperity & well being but also that of all the other stakeholders... organization, employees, customers, communities, culture, economy and the environment. It is only when leadership is 'soulful' i.e. it uses the power of influence more than the power of position that it becomes inspirational.

Organisations drive much more value when Leadership is more Soulful & Inspirational rather than only Skilful and Efficient.

Skilful, competent & efficient leadership is critical to the enterprise but when the stakeholders realise that the leader is batting only for his personal success, glory and hosannas, they refuse to accept him absolutely. And that is where strong leaders like Jack Welch, Steve Jobs get critiqued despite being skilled, highly competent and largely successful.

The debate therefore now veers to 'Authenticity'. A skilful, competent and efficient leader is not dumb. He realises the need for 'soulfulness'. He makes every attempt therefore to disguise and position himself as also being 'soulful'. However, it is beyond his natural character to operate from that space. He thus pretends and puts-on a facade of authenticity but falters.

'Authentic Soulfulness' requires ability to sacrifice. The authentic leader is willing to sacrifice himself. The pretender sacrifices too but he sacrifices others when the market challenges become adverse. Self-protection & perpetuation over-rides his agenda.

Authentic & Soulful leaders have a genuine desire to serve others, are self-aware and lead from core values - not only surface competencies like knowledge, intelligence and skills.

Morally grounded leaders make effective decisions, take right actions and lead by examples - haven't we heard episodes of Bill Gates, Warren Buffet, Ratan Tata, Azim Premji & Narayan Murthy travelling economy classes and living frugally compared to their lesser peers whilst on the other-hand, contributing millions of dollars to purposeful authentic charity ? Somewhere Tata distinguishes this behaviour by referring to his tribe as being 'industrialists' whereas the others as being 'businessmen'!

Authentic Soulful Leadership is about courage and conviction. Walumba explains its build-up over four components:

- Self -Awareness (of his own strengths, limitations & values)
- Relational Transparency (being honest and straight forward in dealing with others)
- Balanced Processing (being inclusive, encouraging diatribe and being generally fair-minded)
- Internalized Balanced Processing (his decision drive being led by concern for ethics and fairness).

Thus Inspirational - Skillful & Authentic leadership drives better relationships in the enterprise, enhances the level of trust, ups the productivity quotient and leads to positive workplace Citizenship behaviours. They inspire trust.

Organisational leaders are constantly caught up in this myriad debate between 'Me the Person' and 'The Expected Role of Leadership'. Authentic leadership is indeed about the art of weaving these two occasionally conflicting manifestations into one - 'Me the Leader'.

Ceteris Paribus competencies and skills required, the 'GRAVE' markets to thrive, require serious booster inoculations of spiritual leadership. Businesses may succeed with efficient leadership in the short run, however, unless inoculated with Spiritual elements, long term institution building will of an enterprise would suffer.

Dr. Adil Malia is CEO of a Business Management Consulting Co called - 'The FiRM'.

'The FiRM' offers amongst other things, consulting services in areas of Strategy, business transformation, operations, Strategic Human Resources, Coaching, Leadership, finances, business transformation and excellence.

He has degrees in Commerce, Law, Business Management and Gross Revenue Management and has a causa honors Ph.d. in Philosophy.

He has over 4 decades of Board level experiences of working in India and overseas with reputed COs like Godrej, GE, Marks & Spencer's, Coca-Cola and Essar.

He is a well recognised 'Key Note' speaker at several Management conventions and is a keen Social Media enthusiast.

He is an avid reader, a social media doodler and plays the Mohan Veena, in free time.



INSIGHTS

NiSM NATIONAL INSTITUTE OF SECURITIES MARKETS
An Education Initiative of SEBI

IMPORTANCE OF BUDGETING IN FINANCIAL PLANNING

NATIONAL INSTITUTE OF SECURITIES MARKETS (NISM)

> It is not necessary to do extraordinary things to get extraordinary results.
> - Warren Buffett

Budgeting plays a very important role in personal financial planning. Budgeting involves listing down the income and expenses of a household. The idea is to be able to contain the expenses within the income available and determine the possible savings. The process of listing and itemizing the income and expenses gives clarity to an individual's financial situation.

The income or earnings in the working years is used to meet current expenses first, and a part is saved and invested to create a corpus that will generate income for the retirement years. Adequacy of income to meet current and future needs is again not uniform across individuals and in different stages of life. People with a higher income relative to their expenses have the capacity to save more than others whose income may be just enough to meet their current expenses, leaving very little for savings.

Similarly young people who just started earning may feel that their income is too small to save and invest. They may think that they can be able to save and invest for their retirement and other financial goals when their income increases in subsequent years. However, leaving savings for later in life when income is high enough may lead to many goals, including retirement, being underfunded. It is important to start early and build the funds required over time out of savings so that the risk of the accumulated funds being inadequate to meet the goals is reduced.

Budgeting is one way to inculcate the discipline to save for goals. In the early years when income is tight, a budget is a useful tool to help live within the available income and generate savings for goals. In the later years, even when the income is adequate, a budget helps in increasing savings with a focus on the goals.

There are mandatory expenses, such as taxes and loan repayments that have to be first met out of available income. Then there are essential living expenses related to housing, food, education and transportation that have to be met. These are a category of expenses which cannot be avoided but the individual can cut back and economize depending upon income available and savings goals. For example, finding housing in a less expensive locality and using public transport are ways to reduce expenses in this category. Discretionary expenses, related to entertainment and recreation, are the last category of expenses. This is the category that can be cut back significantly to generate savings when income is limited.

A budget helps identify wasteful expenditure that can be eliminated or reduced to accommodate saving for goals. It also helps in prioritizing expenses and goals, given the expected income. It helps get a clarity on what financial goals are realistically achievable given the available income and level of savings.

Financial goals such as retirement that cannot be given up or avoided have to be funded first and get a priority claim on available savings. It is important for a budget to be realistic about current income and expenses, and therefore on possible savings. Overestimating income or underestimating expenses are both dangerous for achieving the goals. In both scenarios savings are likely to be lower than what was expected and will result in goals being underfunded.

INSIGHTS

BUDGET ANALYSIS ...WITH LIFE



ANUP GUPTA

Managing Director

SYKES & RAY EQUITIES

(Dedicated to Ramesh M. Damani who has mastered the Art of Living.)

Budget Analysis ...with Life

Funny, how non consequential events become so important. Amazed at times, when one gives so much priority and importance to trivial, meaningless events, discussions, arguments and information.

So let us talk of what is important. Amongst the many things, in this article would like to share my thoughts on the importance of Budget.

Budgeting is to plan. A company, industry and a country plan their financials. Every organization plans their expenses based on the expected income to achieve some goals. And once the budget is prepared regularly reviews the same.

Can we do the same with our Life? Just a thought.

On 1st of February India's respected Finance Minister was to deliver her Budget speech and presented the Union Budget for FY 20-21.

There were expectations…

There were talk shows on the news channels on what can be expected in the budget, there were seminars held before the event by learned and successful persons highlighting what the FM could and must do. There were industry submissions on the challenges they are facing for growth and how the FM could tweak some policy for further growth and so on...

> Let us correlate the budget with Life. Have we prepared the budget of our Life?

Capital gains tax waiver, DDT waiver, expectations of some reliefs in GST, subsidies in various sectors, more for farmers...

More less ... more less... and the story continues

The importance of the budget was sold by all the pink tabloids and news media. They probably had their own targets to achieve and sold it by the second.

Budget expectations, budget speech, presentation of Budget, Budget analysis... and the best part is, we or at least the people connected to the financial world, bought it.

And then came the marathon Budget speech of our respected FM. Each one is still trying to understand as to what relief he/she got. Event is over and the wait for the next budget begins, hoping it will be better.

Life goes on... LIFE! Now this is interesting

Let us correlate the budget with Life. Have we prepared the budget of our Life?

Sounds crazy? We all have knowledge. We all know that we have a limited time span. The most certain thing of life, after being born is that we will die. Even after everyone knowing the fact that they have an expiry, one is not preparing a budget for the time they live. Just because the expiry date is not written on our foreheads does not mean we will live forever.

Let us take time out from our busy schedules and routines to plan the Life we have, to plan the ultimate Goal of Life and achieve it. One will have to create the hype and priority and importance of the Life's Goal. No media will assist in trying to sell you your Life's plan. You yourself will have to sell your Life's Goal to yourself and you will have to buy this importance of you having a Human Life. Buy this and you will understand the importance of time, the importance of every year, month, week, day and every second. In fact, can we dedicate every breath to achieve the Goal of Life?

Can we stop wasting our energies and time on unnecessary discussion's and arguments, trying to be righteous? Can we stop punishing ourselves for the act of others? Can we master our emotions and desires and stop multiplication of likes and dislikes? More… less… more… less…

Knowing we have limited income of time for our Life can we spend our time doing wholesome activities to achieve the Goal of Life?

> No media will assist in trying to sell you your Life's plan. You yourself will have to sell your Life's Goal to yourself and you will have to buy this importance of you having a Human Life. Buy this and you will understand the importance of time, the importance of every year, month, week, day and every second. In fact, can we dedicate every breath to achieve the Goal of Life?

When we use our knowledge and wisdom, one realizes the importance of having a Human Life. Once we understand how precious Life is, we will be more conscious and aware of every moment and then we can only have abundant gratitude, as to how blessed we are to have friends, family, education, food, water and the infinite…. You will be happy internally.

You will understand the futility of the materialistic world. You will understand that sorrow exists.

Small trivial things of displeasure will not cause unhappiness and gradually even big events will not cause unhappiness. You will become more humble. You will understand everything is impermanent.

You will be balanced. You will be Equanimous. You will be able to give more time to for your Life.

So my friends please give some time to prepare a Budget of your Time for achieving your Life's Goal. Nothing can be more important than your Life. Do this, and when the event of this Life gets over the next Life can only be better.

Anup Gupta, Managing Director of Sykes & Ray Equities has a long experience of 30 years in the field of Financial Services. The SRE group offers all financial services under one roof. The passion for value add service in the interest of Investors made the group diversify into the field of Education and they have trained thousands of Students to become Financial Planners. He always believes and advocates to work for the interest of the investor. He keeps pursuing education, practices Vipassna and enjoys sharing his experiences in the field of Finance and the Art of Living.

INSIGHTS



THE VALUE OF RISK PROFILING, ASSET ALLOCATION AND PORTFOLIO REBALANCING

AYUSH AGGARWAL

CIO (Chief Investment Officer)

SMC PRIVATE WEALTH

Though we have multiple investment options available today, the investors are confused and are not able to decide where they should invest. The equity market indices are hovering at lifetime high and in debt, credit default may happen. So, before investing in any of the financial product it is important for an investor to judge his/her risk appetite. He must, therefore, consider proper asset allocation.

What is Risk Appetite?

Risk Appetite is the risk-taking ability that an investor can bear on his investments. Depending upon our Greed or Fear, we choose the products we want to invest. An important thing to be kept in mind here is the proper diversification of the portfolio. One should invest in all available asset classes according to the weightages as per his risk profile. While assessing the risk profile it is important to note that **"Willingness to take risk is not your Risk Appetite"**. Now the question that arises is that how can we judge our risk appetite? Risk Appetite, it must be understood, is determined by many factors which include our expectations, current situation and past experiences of investing.

In developing countries like India, we can find many investors who have high risk appetite and can take risk to achieve higher returns. But there is a high probability that while considering the risk appetite investor may forget to consider the "Ability to take risk". It is not important whether he is willing to take risk or not, investor's situation should also allow him to take risk. Willingness to take risk and the ability to take risk both are important factors that one should consider before deciding the risk appetite.

Willingness to Take Risk	**Ability to Take Risk:**
This depends on our inherent nature, our attitude towards life, knowledge of financial products etc. So, you can either be extra cautious by nature and may not be willing to take risks or you can be a big risk taker who is willing to sell his pants and bet money on anything.	This is the next important part in Risk taking. Does your situation allow you to take risk? It has nothing to do with your willingness to take risk, you can be a risk taker and dying to bet on the next multi-bagger or invest in that 100% return in mutual fund, but you have to consider a worst case scenario at the end.

Do Not Hesitate From Taking Calculated Risk?

We should always take calculated risk (as per the willingness & ability to take risk) and should be aware of its outcome. Portfolio diversification, according to the risk profile, is another factor which one should focus on while creating a portfolio. It is never a good idea to put all your eggs in one basket. Allocating your investments among different asset classes is a key strategy to minimize your risk and increase your gains. Asset allocation,

therefore, is an investment strategy that aims to balance risk and reward by allocating portfolio's assets according to an individual's goals, risk tolerance, and investment horizon. Each asset class has different level of risk and return due to which each behaves differently over a period of time. Equities not only have the highest potential return but also the highest risk. Government bonds have the lowest risk because they are backed by the government, but they also provide the lowest return.

Risk Appetite is the risk-taking ability that an investor can bear on his investments. Depending upon our Greed or Fear, we choose the products we want to invest. An important thing to be kept in mind here is the proper diversification of the portfolio. One should invest in all available asset classes according to the weightages as per his risk profile. While assessing the risk profile it is important to note that "Willingness to take risk is not your Risk Appetite". Now the question that arises is that how can we judge our risk appetite? Risk Appetite, it must be understood, is determined by many factors which include our expectations, current situation and past experiences of investing.

How To Determine Your Asset Allocation?

Now the question that arises is that how you can decide perfect asset allocation of portfolio. So, you should consider your risk tolerance, investment objectives, time horizon, and available money to invest as the basis for your asset composition. All of these are important to create an optimal portfolio. To make the asset allocation process easier for clients, we create a series of model portfolios, each comprising of different proportions of asset classes. Each model portfolio fulfils a particular level of investor risk tolerance from Conservative which has large percentage allocated to lower risk securities to Aggressive which has large percentage allocated to higher risk securities. Following are few examples of asset allocation according to different risk profiles:

Risk Profile/ Asset Classes	**Equities**	**Debt Capital Market**	**Alter-native Invest-ments**	**Money Market & Cash**
Aggressive	55%	15%	25%	5%
Moderate	45%	35%	15%	5%
Conservative	30%	60%	0%	10%

Why Rebalancing Of The Portfolio Is Essential?

After proper asset allocation, you must do the rebalancing of the portfolio as asset allocation may change due to performance of different asset classes. Rebalancing is bringing your portfolio back to your original asset allocation mix. This is essential because over time some of your investments may fall out of alignment with your investment goals. Over a period of time, you will find that some of your investments outperform or underperform others. By rebalancing, you can ensure that your portfolio does not overemphasize one or more asset categories, and you can return your portfolio to a comfortable level of risk.

Ayush Aggarwal is the CIO (Chief Investment Officer) at SMC Private Wealth and a Director at SMC Group. His opinions are carried out by prominent business channels like CNBC Awaaz. His articles have also been published by reputed groups like economictimes.com. He is also known for his knack of identifying high potential as well as fundamentally strong companies. HNI clients at SMC have gained significantly from the practical and far sighted approach of Ayush.

He is an avid reader and his love for reading keeps him abreast with latest happenings in financial sector. A graduate from the prestigious Delhi University, Ayush is also an MBA from S.P. Jain Institute of Management and Research, Mumbai.

INSIGHTS



FINANCE IS INFORMATION. LET'S MAKE IT FLOW MORE EFFICIENTLY

HANSI MEHROTRA

Founder and Editor

MONEY MANAGEMENT INDIA

Finance is fascinating.

When I was 16, I found myself studying education and economics in an all-girls' Hindi medium intermediate college in a small Indian town. They were the only subjects available. And they weren't challenging enough for me. So I decided to pursue a career in medicine. Neurosurgery to be precise. I wanted to look deep into the human brain to learn about what makes humans tick. What makes us all alike, what makes us different. How does the brain control every other cell of the human body?

As life turned out, I couldn't start my medicine degree. Instead I completed a Bachelor of Arts degree by correspondence with literature and economics. That's when I became fascinated by finance. I was curious enough to join the finance industry without really understanding what finance was really about.

More than two decades later, I am finally starting to connect the dots. I've come to realise that you don't need to cut open brains to understand the human mind – you can judge what makes someone tick by looking at the way he or she handles money. Indeed you can judge the collective mood of the whole world by looking at financial markets. In a way, finance isthe nervous system of the world. (Maybe I will evolve this analogy in future).

I believe many parts of the finance industry are inefficient, which has significant repercussions. The world gets major mood swings, at times throwing up excesses. I believe we could alleviate some of the symptoms by making some information more transparent so that it travels more efficiently.

> I believe many parts of the finance industry are inefficient, which has significant repercussions. The world gets major mood swings, at times throwing up excesses. I believe we could alleviate some of the symptoms by making some information more transparent so that it travels more efficiently.

Let me explain, by first going back to basics.

The finance eco-system

We need finance. Households manage cash flows through their lifetimes, sometimes borrowing and other times investing surpluses through investment products. They manage risks through insurance products. They transact with one another, and other market players, through payment systems.

Businesses use finance for the same purposes. Hence, the four main functions of the finance are - to pay, to connect borrowers and savers, to manage risks, and to manage savings across lifetimes and between generations.

Savings are invested in businesses, real estate and governments through financial markets.

Since there are too many savers and businesses, we need intermediaries to help identify opportunities, seek out the best value options, supply and manage the logistics. We also need intermediaries to help us with information.

The finance industry basically acts as an intermediary.



To facilitate the flow of savings between households and businesses, the finance industry created 'financial securities' such as stocks and bonds. Securities are essentially claims against tangible or intangible assets, which in turn, represent future income.

The securities are 'listed' on various marketplaces called exchanges, where the bids/offers and last transaction prices are visible to all market participants. Indeed, any information that may affect the market prices of securities is made available widely so that it is reflected as quickly as possible. This is why markets are said to be 'efficient'.

Financial products and services

The finance industry then builds financial products and services on top of the financial securities and exchange structure, including -

- Insurance products allow households to manage risks. They pool small amounts of money from a wide range of households to help the small group of households for whom the risks eventuate.
- Savings and investment products help households grow their savings by investing in more productive uses, either through debt or equity securities. Savings products tend to be offered by banks. Investment products include pension funds, mutual funds, and alternative funds. Funds tend to be trust structures with separate trustee and manager functions.
- Service providers include stockbrokers and financial advisers who help savers select investment products

The accompanying chart shows the list of financial products and services that a typical household will come across in India -



Source – MoneyManagementIndia.net

These financial products and services make it easier for households to participate in the securities markets by acting as packaging intermediaries.

Finance is information

The core of finance is information. All participants in the financial eco-system have access to information, albeit to different degrees. They then analyse the information differently and then transact based on their goals and behavioural preferences.

The securities markets have been around for much longer, so the information flow tends to be reasonably efficient. Market participants have similar access to information, although the speed of technology may be giving some participants an edge over others. Over time, more 'professionals' have entered the market who have been trained in similar analytical tools and processes, hence are coming to similar conclusions. This is probably why it's getting harder to outperform market indices.

In comparison, the financial products and services built on top of the securities markets are a lot less transparent and the information flow is a lot less efficient. This seems counter-intuitive since these products, such as mutual funds, are meant to package the underlying securities markets in an easier-to-handle form for the households.

For example, to select securities from within a sector, an individual can study the competitive landscape of that sector, and then read the financial statements of

various companies in that sector to understand the strategy and relative positions. She can also watch interviews, or read transcripts of any interviews, with the managements of companies. She can be assured that the companies can't change industries or strategies overnight.

On the other hand, when selecting mutual funds, investors don't need to analyse individual sectors or companies; they need to assess the relative 'skills' of fund managers managing the wide range of mutual funds available. They are given one-page fact sheets summarizing fund objectives, historical performance, risk statistics (based on historical performance), holdings etc. Sometimes, these include qualitative analysis of the fund managers' investment philosophy and skills. However, investors need the help of financial advisers to understand such fact sheets.

The information gets even less transparent when it comes to alternatives funds.

Influx of more information providers

As the Indian industry grows in size and complexity, there are more research providers entering the industry to help with organizing and disseminating of information, both at the underlying securities markets and the financial products and services levels.

- Fintech marketplaces – lending platforms that compare loans offered by a range of banks and non-banking financial institutions
- Fintech aggregators - eg. BankBazaar, PolicyBazaaretc that compare savings and insurance products
- Fintech in securities - stock execution services that may have some research eg.Zerodha
- Fintech in wealth management – plethora of robo-advice platforms that compare mutual funds
- Aggregators of information on alternative products such as PMS and AIF for the benefit of high net worth investors



Let's make b2b information flow more efficient

We believe the way the finance industry communicates with one another has room for more efficiency.

For example, when a PMS or AIF is launched, the providers have to seek out distributors and advisers individually to tell them about the product. While mutual funds can use broader media, alternatives funds are barred from doing so.

Similarly, there are many ancillary service providers in the industry such as in technology, marketing/public relations, education, legal, placements, etc that have trouble finding one another.

In a bid to make information flow a little more efficient in some select pockets, we are launching Money Management India (MMI) as a research marketplace.

MMI will focus on -

- Economy and markets - academic papers and insights into the Indian economy and markets from a longer-term perspective (no short term market forecasts)
- Asset classes - analysis on various asset classes such as listed equities, debt, real estate, private equity, private debt, infrastructure etc
- Fund research - interviews with fund managers, especially alternatives and PMS managers, to summarise their investment philosophy and strategy
- Other investing insights - such as behavioural finance, communication, learning etc

We will not host any sensitive information such as views on listed securities.

The formats will range from simple blog posts with innovative ideas to detailed discussion papers by global consulting firms. The site will link to and host original multi-media (audio and video) interviews with fund managers and other market participants.

Contributions are welcome provided they follow editorial guidelines.

I hope I can contribute to making finance a more efficient nervous system.

Hansi Mehrotra, CFA blogs on CFA Enterprising Investor and on LinkedIn, where has been named TopVoice and PowerProfile. Her LinkedIn profile has more than 288k followers. She is now setting up 'Money Management India' as a blog portal for professionals about investing in India.

She has over 20 years of financial services industry experience, mostly in online delivery of investment research and consulting for the wealth management industry across Asia Pacific.

INSIGHTS



STRUCTURING A FAMILY BUSINESS SUCCESSION PLAN WITH FLEXIBILITY FOR THE FUTURE GENERATIONS

SANDEEP NERLEKAR

Founder and CEO

TERENTIA CONSULTANTS PVT. LTD.

Building a multi-generational business model is often grievously complicated due to friction arising from rivalries between father and son, brothers, uncles and nephews or other family members holding either management position in the business or holding controlling stakes. **Unless families address these challenges, the business will suffer and may die sooner than later.**

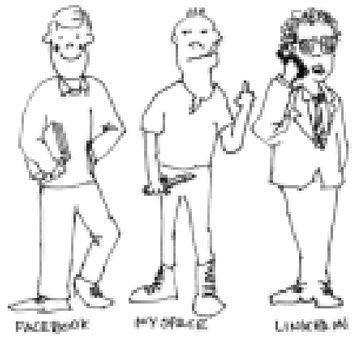
History and mythology whether global or local have witnessed large empires and kingdoms destroyed mainly due of such rivalries. Family needs to understand whether they are a business family or they a family business. It is obvious common sense that when the interest of certain family members takes priority over the business interest, when the company is run more to honour a family tradition than its own objectives and purposes, the trouble is bound to happen.

Some common challenges faced by business families:

Patriarch and the next generation:



"What if we don't change at all ... and something magical just happens?"



Know your socially networked young people

Quite a lot times the patriarch of the family could be in the mid or late 70s. His next generation in mid 50s and the third gen in mid 20s and still the patriarch does not want to leave his control and continues to manage the business. This can be a challenging situation for the successor generations as they don't know how long to wait to wait to take over the business management.

The next Gen may have a different way of handling and they may have different thought process. They may feel the lack of freedom.

> When there are multiple family members in business personal and personality issued play a big role in making the situation complicated. Many times, in business families there is no clear document that clarified the roles and responsibilities.

Most of the times the original promoter of the business is just **not willing to let go the baton** in the hand of the next generation. This could be a big disappointing factor for the Next generation family member.

Personal aspiration, biases and lack of clarity of roles and responsibilities:



When there are multiple family members in business personal and personality issued play a big role in making the situation complicated. Many times, in business families there is no clear document that clarified the roles and responsibilities. At the organisational level the company may have but not at the individual family member level. And this leads to overlapping of roles and lack of responsibility and accountability.

"Why you and not me" Syndrome:



This can be explained better with the help of an example. Say, the father gives one son a gift worth 1 crore and another son a gift worth 1.10 crore. The son who has got the cheque of 1 crores is happy when he gets the cheque but the moment he understands that his brother has got 10 lacs more than him, his pain starts. The happiness turns into sorrow. The issue is with what the brother has got, and the feeling is **"why he and not me" syndrome.**

Remuneration and Reward:



Most of the families don't have a policy around remuneration and reward for the family members. All family members may get the same salary, and this may not be linked to the work. They are neither incentivised monetarily for achieving their targets. This is one of reasons of a major issues amongst the family members.

Common Pool Expenses:



Many Business families dig into their business accounts for their monthly expenses or travel or holiday expenses. This works fine till the patriarch is surviving but in his absence this arrangement does not work. Milestone needs are also paid by the common pool for e.g. marriage, education etc.

To mitigate the above risks or challenges the family needs to adopt Family Business Succession Planning. Family **Business Succession Planning is a combination of Estate Planning and Family Business Planning.** Estate Planning would deal with the Tangible challenges and can be managed by Creating family trusts and Wills and the Intangible challenges can be handled by creating Family Business Planning which would include drafting of a family arrangement or drawing a family constitution.

The challenges related to wealth can be mitigated by creating efficient structures like Trusts. Families can explore creating of multiple trust structures to take care of multiple family members. Instead of holding all the assets and all the members in one trust which can lead to future complications it is advisable to create separate trusts for family members. This is like having separate bed rooms for family members in a large house, everyone can enjoy their privacy and ownership. This can also reduce intra family conflicts to a large extent. Trust can also be used effectively as an asset protection tool. Movable and immovable both type of assets can be held under the trust structure. Most of the movable assets can be transferred with least costs except immovable assets held in Individual names which could attract stamp duty implications. It is advisable to hold the shares of listed and unlisted companies under the trust structures. Trust structure can be used to hold family assets, business assets and personal assets.

Once the Trusts are created and structured the family needs to execute the family business plan. This includes putting in place set of policies, process and rules for the family. **Business families should have intra family shareholders agreement to mitigate intra family ownership and management challenges. They need to document exit polices, right of first refusal, voting rights etc.**

Keeping in mind the interest of the next generations the business families need to have specific policies for the next gen. New business policy and business diversification policies can be drafted keeping the interest of the next gen in mind. This will give them required clarity and direction of how their new business ideas can be funded by the family and the role family members will play. Roles and responsibilities, reward and remuneration policies will help the next gen family members in bringing in clarity and avoid overlaps. The reward and remunerations policy will motivate the future generations in actively participating in the family business as it will also offer them the freedom to operate and explore newer business opportunities.

Policy dealing with conflicts of interest can help the future family members to deal with intra family conflicts. Education, Training and development policy shall be created, as it would help the future family members to acquire the desired skill set.

These policies may help the members to explore business interest outside the family business or explore non - business opportunities also. Family can also explore the option of bringing in a professional CEO from outside the family in case the future family members are not interested in managing the business or may feel that they want to explore opportunities outside the family business. Buisness Families need to understand that survival of the business will lead to survival of the family.

The Family Business Succession planning can help the business, stake holders and the family members, current and future in building a multi-generational business model with enough flexibility for all the family members in not exploring their areas of business interest but also to explore any other options.

Sandeep Nerlekar, Founder and CEO Terentia Consultants Pvt. Ltd. Terentia is a firm that specialises in Family Business Succession Planning.



INSIGHTS

BUILDING A SUCCESSFUL FAMILY BUSINESS



HITESH SHUKLA

Professor

SAURASHTRA UNIVERSITY, RAJKOT

What makes a great successful family business?
Each family is different, is unique in the way it operates, and has a unique culture. So in case of family-owned businesses, there can be no one solution fit all. With this said, successful family businesses share some common traits and these include effective communication; shared values and vision; sound planning, both for business and family; a significant investment in talent; and clearly defined roles, responsibilities and accountability to achieve financial stability and realize organizational goals, while maintaining harmony in the family.

A great family business is built on value, shared vision and strategy. The owner of the business should think more in terms of building an institution than just growing the business. The owners should also perceive themselves as custodians of business and values of their family.

Families should be able to separate out ownership and management. A family-owned business is successful only when it incorporates the values of compassion, sharing and caring, and enables all individuals to develop and unleash their full potential. While on the other hand, business is considered as high performing when financials are strong and all stakeholders are well taken care of. Family should believe in meritocracy – birth can assure position and wealth in family but not authority in business. Murugappa, Dabur, Godrej and Marico can be a great example in this case, as these companies have successfully managed to separate family and business. These families own controlling stake in the business but day-to-day operations is taken care of by professional managers.

While looking at the board structure of the family-owned companies, we find more professions as directors then owner directors. Family council creates linkages for family members to understand the need of the business, and business also understands the wants of the family. Professionals and advisors find the better tradeoff between family's want and business need.

Why do most family businesses fail to go beyond the third generation?
Based on my experience, I can safely say that businesses never fail; rather it's the family that fails, thus, impacting the business. One of the most common reasons for this is the founders do not plan for what happens after their demise. As a result, there is a fall-out between the siblings, and in most cases, this leads to the splitting of the business. The most important skill for any family business is managing the family itself. Open and honest communication between members goes a long way in building trust. Trust is the foundation of family business longevity. Family's spiritual values also help in developing trust among the members. These values create emotional bridge for harmony and happiness, and ultimately lead to the development of social capital for the business. Social capital is considered as fuel for the smooth functioning of both the business and the family.

What are the common challenges faced by a family business?
Balancing prospects of senior generation and Next Gen is the most difficult challenge. Then again, there is the challenge of ensuring that all members work together and in harmony. Working with a midsize family business in India, I observed that many times, the owners of the family business knowingly or unknowingly ended up competing with their CEO / managers with the aim to prove that their power and superiority. Rather, the role of the owners should be to support to their CEOs for a better execution of strategy, which has been shaped by the family board. Another challenge is to attract and retain talent. Professionals want freedom and flexibility in work along with clear carrier growth. If top positions are reserved for family members, business cannot attract best talent. There should not be two classes of employees, that is, family and outsiders / non-family. Family members who are working in business should be treated at par in performance and other parameters

What are the causes of conflicts in family business? How can we resolve them?
Members of the family develop different kinds of personal interest, along with common business interest and many times, personal interest becomes more important for individual or a branch of the family than the family business, which results in conflict of interest. They may develop different perceptions for other members of their own family. Individuals also have different personalities and lifestyle. Family members may develop ego, disagreements for power, and business structural and succession issues.

> Family should believe in meritocracy - birth can assure position and wealth in family but not authority in business. Murugappa, Dabur, Godrej and Marico can be a great example in this case, as these companies have successfully managed to separate family and business. These families own controlling stake in the business but day-to-day operations is taken care of by professional managers.

Family should provide a platform for each family member to express their feelings. The members should be confident that no one is judgmental about their expectations and behavior. The family leader should be able to understand the mind-set of each member. Mostly in family, all problems are problems of communication and these can be solved only and only through communication. Successful family works hard on communication. The leader's role is very important because it is he/she who has to take care of the aspirations of the members and iron out differences and disagreements, if any, between them. The leader's role is to maintain harmony in the family and to strike the right balance between control and devolution of power among the members. Family constitution and family council can be useful in resolving matters over succession and legacy. Advisors play a central role in managing family differences.

Family members should establish boundary between what belongs to the business and what the individual family members want, need and are accountable for. Roles and responsibility of family members should be fixed.

Professor **Hitesh Shukla** is an academic and shaper of the family business field. For decades, his insights, advice, lectures and writing have helped to develop leaders, professionalize businesses, strengthen families, and pass sustainable enterprises from one generation to the next.

He advises families on topics such as long-term success; ownership, and family governance; developing next generation; succession transitions; conflict resolution and family harmony; ownership and business strategy; professionalizing the family business and life and career planning; selling the family business; and many other issues important to family enterprises.

INSIGHTS



HAPPINESS IS THE BIGGEST SUCCESS SECRET FOR WEALTH

YOGESH CHABARIA

Founder

HAPPIONAIRE™ WAY OF LIFE

What is the secret to success and true wealth? Why is it that some people do so much in their life with complete ease, while others struggle with the most basic of things?

Yogesh Chabria, #1 bestselling author, entrepreneur and authority on success and happiness shares his valuable insights with BSE Forum Views in this exclusive column.

I was born in a middle class family, and as a small boy we couldn't even afford the auto-rickshaw. At the same time many of my friends owned cars and could buy almost any toy they desired.

I was 5 years old and either I could have felt sad about my situation, and been jealous of my friends or I could simply be happy.

I decided to be happy and that was one of the luckiest things that could happen to me. Instead of being jealous of my friends, I felt lucky they were rich and I started selling toys to them.

> Today when I look back, I am grateful to the Divine that I was not born rich, because I realized the power of using my mind, knowledge and the power of happiness. I would not have sold toys at the age of 5, had I been born rich. The skills I learnt at such a young age helped me develop powerful skills like persuasion, persistence and getting rid of fear. They formed the basis of The Happionaire Way.

Today when I look back, I am grateful to the Divine that I was not born rich, because I realized the power of using my mind, knowledge and the power of happiness. I would not have sold toys at the age of 5, had I been born rich. The skills I learnt at such a young age helped me develop powerful skills like persuasion, persistence and getting rid of fear. They formed the basis of The Happionaire Way.

Imagine, if I had not been happy for my friends and felt jealous? Instead of benefitting, my entire personality would have become negative. I would have stopped looking for opportunities and would have constantly ended up cribbing how the world is unfair and everyone is rich but me. Do you know people who are filled with jealousy for their rich friends? Jealousy is not an emotion that brings happiness or success.

The difference between success and failure is an inner state of happiness. When we enter an inner state of happiness, opportunities open up, we feel fulfilled and we become grateful for what we have. A natural glow comes on our face.

Clients, colleagues, bosses and employees all love working with you when you have happiness on your side. Suddenly the world changes - the world is now a place that rewards initiative and is filled with possibility. It is filled with joy and bliss. The most successful companies on the planet today have realized the importance of happiness and invest billions into making sure everyone is happy.

Happiness is true success. Money and career growth without happiness are meaningless. During my seminars, every now and then I meet people who have moved up the career ladder, but don't feel happy from inside and feel empty. I can tell you for sure that is not success and they feel miserable until they discover true happiness.

Think of people like Robin Williams and Elvis Presley, who achieved so much professionally but eventually committed suicide. This is because they didn't have the most important success ingredient - true happiness and fulfillment.

No matter what the world give you right now - it could be the toughest challenge, but simply fill yourself up with the power of happiness you will see how the toughest challenge becomes your greatest opportunity.

The greatest people in the world became great by converting their challenges into opportunities. Imagine when Mahatma Gandhi was not allowed to sit in the train in South Africa only because he was brown and faced racism - he used this moment to give up being a lawyer and bring about change and inspire 350 million people to fight with non-violence for freedom.

What is a challenge you are facing right now? Ask yourself how this can become you biggest gift and strength?

I'm sure you will get wonderful answers!

Keep smiling and stay happy!

Yogesh Chabria is a world-renowned leader in the field of human potential. He is a #1 bestselling author, international speaker, entrepreneur and founder of The Happionaire Way. His seminars, books, articles and video programs have influenced people from over 100 countries. It is his vision to have a world filled with happionaires. To be a part of this vision, visit: www.happionaire.com



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Regulatory Assistance

SEBI AND THE REGULATED ENTITIES



P. K. NAGPAL

Ex-Executive Director
SEBI

The mandate of SEBI as specified in the preamble of SEBI Act, 1992 is to protect the interests of investors in securities markets and to promote the development of and to regulate the securities markets. Under Section Regulation 11 of the SEBI Act, SEBI regulates the functioning of stock exchanges and other market intermediaries. Further, under Section 12 of SEBI Act, all the intermediaries in securities markets are required to be registered with SEBI.

SEBI is empowered to exercise oversight over the functioning of the intermediaries and other entities. It formulates regulations and also implements them and initiates enforcement action in case of violations. Thus, SEBI performs all three functions - legislative, executive and the judicial.

Involvement of Regulated Entities in Policy Formulation

SEBI started regulation of markets even before it became a statutory body in early 1992. SEBI ordinance was issued on January 30, 1992 and the SEBI Act was passed by the Parliament on April 4, 1992. However, under the guidelines issued by the Government, SEBI started regulating the mutual funds and merchant bankers since the year 1990. The first inspection of a stock exchange was carried out in the year 1991.

SEBI has always followed the policy of consultation with the market participants and regulated entities. SEBI held discussions with the market participants on the adequacy of disclosures in the offer documents and abridged balance sheets of the companies since 1989 and made recommendations to the Government to amend the Companies Act, 1956 suitably.

SEBI is empowered to exercise oversight over the functioning of the intermediaries and other entities. It formulates regulations and also implements them and initiates enforcement action in case of violations. Thus, SEBI performs all three functions - legislative, executive and the judicial.

After SEBI became a statutory body, SEBI constituted two formal advisory committees - Primary Market Advisory Committees and Secondary Market Advisory Committee, to advise SEBI on various issues. These Committees had representatives from the market intermediaries, industry associations, investor groups, academicians, Government and SEBI.

The practice of involvement of regulated entities in policy formulation continued in subsequent years

when SEBI constituted advisory committees for mutual funds, takeover, and consent / settlements. SEBI has also constituted committees or working groups from time to time to make recommendations on specific issues. Apart from the committees, discussions are held with the market participants and regulated entities in the meetings at various levels on a regular basis. Many times, the regulated entities have participated actively in the drafting of regulations and circulars issued by SEBI.

The system of committees and consultations followed in SEBI has worked very well. The regulatory framework in securities markets complies with international standards and principles issued by IOSCO i.e. International Organisation of Securities Commissions.

Benchmark Time Limits for Clearance of Proposals of Regulated Entities

SEBI has put the benchmark time limits for clearing various types of proposals of market participants or intermediaries on its website a long time back. In certain cases the time limits have been specified in the Regulations e.g. communication of observations in case of offer documents filed by the merchant bankers and mutual funds. All Departments in SEBI are expected to process the files within these time limits.

Registration of Intermediaries

An intermediary cannot operate in securities markets without obtaining a certificate of registration from SEBI. All services are provided to the investors and companies by the intermediaries. Therefore, the process of registration must be clear, transparent and streamlined. According to benchmark time limit, certificate of registration should be granted within 30 days after receipt of complete information from the applicant and other regulators, if applicable. The status of each application is put on SEBI website on monthly basis.

When I took over Market Intermediaries Regulation and Supervision Department of SEBI in July 2009, I made an additional requirement of replying to all communications received from applicants within a maximum period of 30 days. The format of status report of applications was revised and we started giving the date of last communication received or sent to the applicant and thus clearly indicating whether the application was pending with SEBI or the intermediary and for how long. The internal time limits were closely monitored by having internal meeting with the officers and through MIS reports. If any application was kept in abeyance, we mentioned the specific reason.

We also started to mention in the status reports that in case the application has remained unattended or there is undue delay, the applicant should not hesitate in writing to the Chief General Manager (CGM) or Executive director. The e-mail IDs of Division Chief / CGM and mine as Executive Director were also given below the status reports.

Senior officers and top management of SEBI must pay attention to this aspect as more transparency and disclosures, as SEBI expects from the market participants. indicates not only good governance but also minimizes the scope of any corruption.

Earlier when I was in Primary Market Department during 1994-97 and there was no website and no benchmark time limits were specified in SEBI, I advised the officers to include a footnote in the correspondence with the applicants assuring them that on complying with the specific requirements as advised in our letter, the certificate of registration would be issued promptly. The officers in SEBI who worked with me at that time still remember this footnote after so many years. I followed the same transparent approach when I was handling mutual funds, venture capital funds and other intermediaries.

On my checking the status reports on 17th February, 2019 of all 19 categories of intermediaries on SEBI website, I found that none of the report contains the details of last communication received from or sent to the applicant. It cannot be said with certainty whether the application is pending with SEBI or intermediary and since how long. The email ID of Executive Director does not appear at all. Many applications have been under processing for a long time and no specific reasons have been provided. Sometimes, the applicants need to be provided guidance as they are not able to understand the requirements specified by SEBI. In some of the cases, the name and email ID of CGM has been referred to elsewhere in website. Incidentally, some of the senior officers in two different departments handling these 19 types of intermediaries worked with me in the past.

Senior officers and top management of SEBI must pay attention to this aspect as more transparency and disclosures, as SEBI expects from the market participants, indicates not only good governance but also minimizes the scope of any corruption.

Raising of capital by the companies

I followed the same approach when I became in charge of Corporation Finance Department of SEBI in January 2015. The status of each offer document was put on website and close monitoring was done. During my tenure in January 2015 and June 2017, the process of clearing offer documents filed by the merchant bankers was streamlined and there were articles in financial newspapers how the time taken for communication of observations was reduced considerably in SEBI. On my checking the status report on offer documents on 17th February, 2020, I find that the principles of transparency as highlighted above continue to be followed in the Department.

Meetings with Entities

One of the messages I used to give to the officers was that they should meet the market participants at the time given to them and should not keep them waiting. I myself ensured that almost all the meetings whether with the industry associations or individual entities commenced strictly on time during my entire tenure in SEBI.

Hand Holding and Guidance

Many times the intermediaries and market participants need hand-holding and guidance particularly when new major set of regulations or guidelines are issued. In such cases, SEBI has conducted training or education programmmes in major cities in association with stock exchanges, depositories and the industry associations. When Listing Obligations and Disclosure Requirements (LODR) Regulations were notified, we organized seminars in various cities and issued FAQs based on feedback received from the companies. In case of internal audit of stock brokers, we organized training for the stock brokers and auditors and issued guidance notes. While implementing centralized KYC and ASBA in primary market, we had a number of meetings with the intermediaries for smooth implementation. SEBI issued a no. of clarifications after notification of Disclosure and Investor Protection Guidelines in 1992.

In case an interim order is passed by SEBI, the entity should be heard and confirmatory order must be passed - either confirming the interim order or revoking the order - within a period of 3 months and final order should be passed within a period of 1 year.

Judicious Exercise of Powers

In view of vast powers of SEBI as provided in the SEBI Act, it becomes very important that such powers are exercised very carefully. I used to remind my officers that no injustice or harassment is done to any entity. While I was Chief Vigilance Officer, I issued a Guidance Note that in case an interim order is passed by SEBI, the entity should be heard and confirmatory order must be passed - either confirming the interim order or revoking the order - within a period of 3 months and final order should be passed within a period of 1 year. In case of any delay, the matter should be reported to the Board.

Conclusion

The fundamental principles and Guidance mentioned in this article must continue to be followed by SEBI strictly and are equally applicable for any other regulator or Government Agency.

PK Nagpal

The author worked with SEBI since its inception and was Executive Director for almost 13 years before his retirement in December 2019.

Regulatory Assistance

REGULATORY PULSE



SANDEEP PAREKH
Managing Partner
FINSEC LAW ADVISORS

REVISED FRAMEWORK FOR PORTFOLIO MANAGERS

On November 20, 2019, the SEBI board had approved a new framework for portfolio managers **(PMs),** which was based on the recommendations of the working group constituted by SEBI to overhaul the erstwhile regulations governing portfolio management services **(PMS).** Accordingly, on January 16, 2020, the SEBI (Portfolio Managers) Regulations, 2020 **(New PMS Regulations)** were notified, replacing the SEBI (Portfolio Managers) Regulations, 1993. Some of the key reforms introduced in the New PMS Regulations are discussed herein below:

Increase in Net-worth Criterion for PMs

With a view to deter non-serious players from operating PMS schemes, the net worth criterion for PMs has been increased from INR 2 crore to INR 5 crore, and existing PMs are required to meet the enhanced requirements within a period of 36 months from the date of the commencement of the New PMS Regulations. In our view, the role of PMs is limited to that of assisting clients in taking investment decisions, which require necessary skills, adequate experience, certifications and appropriate infrastructure. In view of the same, enhanced net worth requirements may serve as an unnecessary entry barrier to those entities which possess the requisite qualifications and expertise but do not meet the minimum capital adequacy requirements.

Enhanced Minimum Investment limits

Under the New PMS Regulations, the minimum investment in a PMS scheme has been increased from INR 25 lakh to INR 50 lakh, while existing investments in PMS schemes has been grand fathered till the end of the maturity of such investments or such date as will be specified by SEBI. This move will exclude clients with smaller portfolios from being covered within the ambit of the new regulations.

Investment Restrictions for Discretionary and Non-discretionary PMs

While discretionary PMs are permitted to invest only in listed securities, money market instruments, mutual fund units and such other securities as may be specified by SEBI, non-discretionary PMs can invest clients' securities or offer advice for such investments in unlisted securities up to a maximum of 25% of the total assets under management. Under the previous regulations, there were no restrictions on the type of instruments in which investments could be made on behalf of the clients, which led to mis-selling of illiquid products by certain PMs.

Further, the New PMS Regulations mandate that investments in mutual fund units by PMs shall only be through "direct plans" and in such cases, no distribution related fees can be charged by PMs to the clients. Furthermore, PMs have been prohibited from investing clients' funds based on advice of any other entity, thereby restricting PMs from outsourcing their PMS activities to any other entity.

Enhanced Eligibility Criteria for Principal Officers

PMs are required to appoint at least another employee, apart from the principal officer and the compliance officer, who is a graduate from a recognized university with at least two years' experience related to securities market. Further, the eligibility criteria for principal officers of PMs with decision making authority have been enhanced. These eligibility criteria include:

- Professional qualification in finance, law, accountancy, business management, CFA Charter from CFA Institute, etc.;
- Relevant NISM certification; and
- Minimum five years' experience in activities related to securities market, including as a stock broker, investment adviser, research analyst or fund manager, of which at least two years' experience is in PMS.

In addition to the above, a mandatory obligation has been imposed on all PMs to appoint a custodian, except for those providing only advisory services.

Further, the New PMS Regulations prohibit PMs from charging any up-front fees to the clients, either directly or indirectly. Additionally, off-market transfers from / to clients' accounts by PMs have been restricted, except for certain cases, such as for settlement of client's own trades, for providing margin / trading collateral for clients' own positions, for dealing in unlisted securities, etc.

GUIDELINES FOR PORTFOLIO MANAGERS

In addition to the new SEBI (Portfolio Managers) Regulations, 2020 **(PMS Regulations),** on February 13, 2020,SEBI has issued certain guidelines further amending the regulatory compliance framework for PMs **(Guidelines).** Some of these guidelines are discussed below:

Supervision of Distributors

PMs can now only utilize services of distributors with a valid AMFI Registration or those who have cleared the NISM Series-V-A exam. Further, it has been clarified that fees / commissions shall be paid to distributors on a trail-basis only, and such fees / commissions can be paid only out of the fees received by the PMs. PMs shall also inform prospective clients about the fees / commissions earned by distributors for on-boarding them to investment approaches.

PMs must ensure that distributors abide by the Code of Conduct specified under the Guidelines, and have a mechanism for independent verification of such compliance by the distributors. Further, they shall obtain a self-certification from the distributors with regard to such compliance within fifteen days from the end of each financial year.

Fees and Charges

While the Guidelines specify that the brokerage paid by the PMs can be charged to clients as expense, the total operating expenses, excluding the fees charged for portfolio management services and brokerage, shall now be capped at a maximum of 0.50% per annum of the clients' average daily assets under management.

Further, in case of partial / full redemption of a client's portfolio, the exit load charged by the PM can be a maximum of 3% of the redemption amount in the first year of investment, 2% in the second year and 1% in the third year. No exit load can be charged after a period of three years from the date of investment. Additionally, charges for all transactions in any financial year, including those of broking, demat, custody, etc., undertaken by a PM either through self or its associates, shall be capped at 20% by value per associate (or self) for each service; and such charges cannot be more than those paid to non-associates providing the same service.

Direct On-Boarding of Clients

Clients shall now be given the option to be on-boarded directly by the PMs, without availing the services of a distributor, and such option shall be mandatorily disclosed in the disclosure document, marketing materials, and on the website of the PM. Further, in case of such direct on-boarding, no charges except statutory charges can be levied by a PM.

Investment Approach

A uniform 'investment approach' shall be provided in the disclosure document, marketing materials, etc., which shall inter alia include a description of the investment objective, types of securities, portfolio allocation, benchmark, indicative tenure, risks, etc.

Performance Reporting and Other Disclosures

Compliance with provisions such as disclosure of performance of benchmark indices to clients, review of compliances by the board, etc., is now required to be reported to SEBI annually, instead of on a half-yearly basis. Further, PMs shall also submit a certificate obtained from a chartered accountant certifying the PM's net worth to SEBI within six months from the end of each financial year. Additionally, a certificate compliance with the New PMS Regulations shall be furnished to SEBI within sixty days from the end of each financial year.

Further, it has been clarified that material changes in the disclosure document, which must be reported to SEBI within seven working days, would include changes in control, the principal officer, fees, charges, investment approach and any other change as may be specified by SEBI.

With regard to performance reporting, the Guidelines mandate that cash holdings and investments in liquid funds shall also be included for calculation, and performance data is to be calculated net of all fees and expenses. Further, the firm-level performance is also required to be annually audited. A confirmation regarding compliance with the performance reporting requirements, as specified in the Guidelines, should be submitted to SEBI within sixty days from the end of each financial year.

Besides this, a quarterly report should be provided to the clients by the PMs, describing their portfolio management activity and the performance of the portfolio. A monthly report shall also be submitted by the PM on the SEBI Intermediaries Portal, describing their portfolio management activity, within seven working days of the end of each month.

Sandeep Parekh is the managing partner of Finsec Law Advisors, a financial sector law firm based in Mumbai. He worked as an executive director at the Securities and Exchange Board of India, India's securities regulator, where he headed the Legal Affairs and Enforcement departments and has been a faculty at the Indian Institute of Management, Ahmedabad. He has worked for law firms in Delhi, Mumbai and Washington, D.C. He focuses on securities regulations, investment regulations, private equity, corporate governance and financial regulations.

He has obtained an LL.M. (Securities and Financial Regulations) degree from Georgetown University and an LL.B. degree from Delhi University. He is admitted to practice law in New York and is a member of Mensa. He was recognized by the World Economic Forum as a "Young Global Leader" in 2008. He has published op-eds in the Financial Times and the Economic Times and has been quoted in the WSJ, Economist, Bloomberg and CNBC. He has spoken at Davos. He has an active blog called Initial Private Opinion. He is the author of a well-received book "Fraud, Manipulation and Insider Trading in the Indian Securities Markets", published by CCH Wolters Kluwer.

He is an independent director on the board of HDFC Bank Ltd. He is presently the Chairman of SEBI's Proxy Advisory working group and a member of SEBI's Mutual Fund Advisory Committee. He sits on the Advisory Committee of School for Regulatory Studies & Supervision (SRSS) of National Institute of Securities Market (NISM). He has been a member of the Cabinet Secretariat task force for measuring performance in ministries and departments of the Government of India. He is a former chairman and member of various SEBI and RBI Committees and Sub-committees. He is also a member of CII's National Council on Financial Sector and CII's National Committee on Financial Markets, CII Committee on Regulatory Affairs, Ficci/BCCI/IMC Committee on Capital Markets. He has been recognized for exceptional standing in law by International publications like AsiaLaw, IFLR1000, Chambers and Partners, IBLJ and Legal500.

Regulatory Assistance



ACHIEVING RISK MANAGEMENT AND COMPLIANCE STANDARDS - FEAR OF LAW OR FEAR OF PENALTY?

REKHA SHAH

Founder

ANALYZE N CONTROL

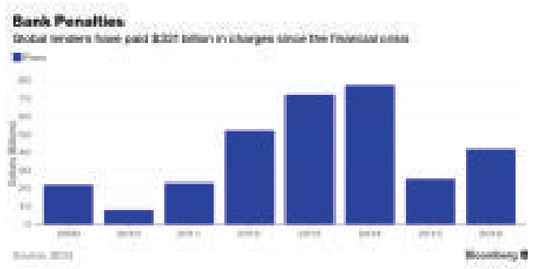
SOS Signs of Surveillance and AML Integrated

C-SAFE

Compliance/Surveillance and AML risk has become one of the most significant ongoing concerns for financial industry. The number of individual regulatory changes that this sector must track has more than tripled in last few years practically multiple revisions on daily basis. The tougher compliance environment has not only multiplied the various regulations that financial institutions must follow, but has also made it necessary for the participants to think about compliance in an entirely different way and newer perspective.

As far as SEBI penalties are concerned there is no formal consolidated data of penalty, disgorgement values, but there have been steady multiplication of cases, making it essential for broking industry to give a fresh perspective on using technology to the hilt and making it an indispensable part of compliance and AML and Surveillance, risk management.

A BCG Study reflects that Banks across the globe have been **fined a whopping $321 billion** since 2008 for regulatory failings like money laundering, market manipulation and terrorist financing. Out of this, $42 billion have been paid as fines in the year 2016 alone. Managing these massive costs is a recurring burden for banks. The recurring years of fines have taken a heavy toll on the banks, wiping out the equivalent of 14 per cent of their equity capital.

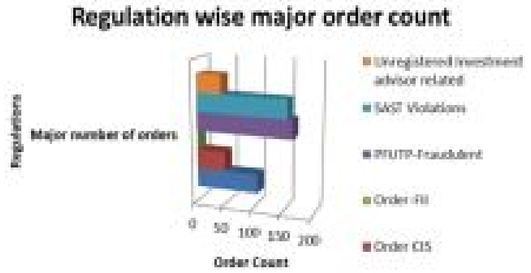


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Let me highlight some of the major SEBI Cases of 2019 referring to each type of regulation and which reflect how the investors in the industry become vulnerable and how it requires introspection as to what kind of penalty can be a deterrent to reduce the incidence of such violations?

Let us first review regulation wise major high penalty or high impact orders of SEBI orders in 2019.

Regulation	Major number of orders
Broker Regulation	106
Merchant banking	3
Order CIS	49
Order Insider and SAST Insider	271
Order-FII	2
PFUTP -IPO	13
PFUTP-Fraudulent	164
PFUTP-Synchronized	277
SAST Violations	155
Unregistered Investment advisor related	43



Broker Regulations:

- Once again Broker Regulations related violation still reflects non settlement of accounts of the clients on monthly/quarterly basis.
- Misappropriation of clients' securities for personal financial obligations of brokers and failed to refund to its clients funds and securities due to them.
- Further, members not only failed to segregate clients' securities, but also failed to maintain proper records of collateral deposited by clients and to prevent misuse of client collateral
- Non Settlement of Clients accounts on quarterly / monthly basis depending on the preference of the client
- Failing to maintain and preserve books of accounts and other documents
- Falsification of books-wrong client Trial Balance, wrong reporting to exchanges w.r.t Enhanced Supervision, non-settlement of funds &securities, funding to clients having debit balances by providing further exposure, non-redressal of investor complaints, IGRP cases and non-furnishing of information to SEBI.
- Broker transferred client funds to its group company without or inadequate authorization from clients and also failed to maintain proper accounting entries for the funds received from clients.
- Raised funds by pledging securities of clients having NIL or credit balances
- Broker had aided and abetted its clients in entering into non-genuine trades because for every trade executed by the noticee for its clients, and also noticee has acted as counter party to such trades through its proprietary account.
- Other cases included-sub broker had traded on behalf of his clients on the stock broker terminal without approval of Authorised Person
- Approx more than 40% have violated segregation of client balances, unauthorized terminal cases, Margin collection shortage, client stock pledging, falsification of books, Fit and proper violations.
- Majority above mentioned cases have penalty of Rs. 5 Lakhs to Rs.22 Lakhs and some of the major cases included debarment, penalty of suspension and banning the intermediary and blocking DP and Bank accounts.
- **The incidence of above specified violations may reduce as SEBI has released strict guidelines on release of client payout and maintenance of collateral**

Order Insider and SAST Insider violations:

- Cases with major penalties of Rs. 35L to Rs. 44 crores and in few cases -debarment from 1 year to 3 years.-regarding trading in specific stocks while in possession of UPSI i.e cases where PAC group along with other entities purchased and sold shares of specified companies during the UPSI period and made huge profits.
- False information to investors by not announcing cancellation of corporate announcement swhich were made earlier and further selling the shares of the company while in possession of UPSI that such corporate announcements were cancelled and thus violated the provision of PIT regulation

Order PFUTP- Fraudulent

- Executing trades in scrips for single share and repeatedly placement of buy orders for miniscule quantity of shares over the LTP at frequent intervals, even though the sell order disclosed volume was for more than one share on multiple occasions and further placing buy orders over and above the existing sell order price which already was over the LTP.
- Promoters and preferential allottees holding majority with lock-in of one year, leaving very less free float for market trading and devising schemes to manipulate prices by transferring

shares directly or indirectly, to noticees who in turn, acted in close co-ordination and in connivance with each other, while selling continuously for a long period with small quantity of shares contributing to very LTP and creating new Highs

- High value disgorgement- noticees were promoter of a company thus called as a group entities, further its observed that company had made a number of positive corporate announcements and some of these were not implemented and further, the fact of non-implementation of such corporate announcements was not intimated to shareholders.
- Non-fulfilment of broad based criteria regarding material change from the previous information provided by noticee to SEBI, and thus violated the FII Regulations related provisions
- Cases have extremely high penalties with huge disgorgement and debarment of almost up to 5 years in major cases

Order unregistered Investment Advisory

- Cases came to light when complaints had been lodged by investors and investigated by SEBI.
- However it must be noted that also number of calls to investors enquiring about "interest in trading" have gone through the roof , this could be an indicator where gullible investors fall for the assured returns, lose money and then desperately knock on regulatory framework for lost hard earned wealth.
- Most of the cases in this category are, providing "investment advisory services" without obtaining certificate of Registration from SEBI or NISM certification and running a pre-meditated device, plan or scheme, lure gullible investors by making unrealistic profit commitment. Further collecting funds from the public and indulging in unauthorized investment advisory/portfolio management activity.
- In such Unregistered Investment Advisory, noticees provide investment advisory services either through their proprietorship concerns or directly themselves and lure its client by promising guaranteed returns through telephonic conversation and extorting more and more amount towards service charges. Also provided tips/ tele-messages pertaining to products of different segments of securities market viz. equity cash segment, equity futures segment, stock derivatives, index derivatives, commodity derivatives, etc., which are traded on the exchange platform. Lures its clients to buy/subscribe multiple packages and it is observed that package/service (suitability) for its clients has been decided up front and has also collected the fee from client, before even the risk profiling of client is done.

Order-PFUTP Synchronized

- One of the Hon'ble Supreme Court judgements had observed that synchronized trading takes the color of fictitious trades intended to deceive lay investors and therefore violates the PFUTP Regulations.
- Most of such cases have the pattern where noticees executed synchronized trades, Self/Match/Cross trades and reversal trades amongst themselves, which resulted in creation of artificial volume in the market and significantly influencing the price by contributing to positive LTP or creating New Highs or Lows and thus violated PFUTP regulations.
- In multiple cases the order rates are abnormal, order quantity to exchange volume is high and in spite of that, the execution is within a short time frame.
- Further, entities also indulged in synchronized/ reversal, forgery of KYC documents and misusing the e-mail id, mobile number and bank account etc.
- In such cases , there is generally a trail of sufficient evidence through KYC documents indicating that appellants are connected with other related entities in the group.
- Also there are cases, where placing buy order is before the sell order, further buy orders were placed for small quantity at prices significantly above LTP (or vice versa), which were subsequently matched by sell orders. Noticees manipulated the scrip price and created a misleading appearance of trading
- Indulging extensively as a group and executing match trades, reversal and repetitive self-trades
- Non-genuine trade with off market transactions create a false and misleading appearance of trading in the securities market and plea that the same was done on account of tax planning was just a device used by noticees for windfall gain.
- Cross/Matched trade per se may not be a violation, but where the quantity of such trades is significant as a % of the total Exchange volume and in cases ,it influences price swings, then it reeks of manipulative intent.
- High Penalty in terms of debarment and monetary value has been steadily rising across years

How systems can play integral role for AML and Surveillance Risk to change the approach-

- Firms can control such patterns and protect their investors based on strong Surveillance and AML systems which give continuous client due diligence, dynamic client profiling and 360 degree view of client transaction patterns and alerts as per internal risk, FIU and exchange indicated guidelines across segments and historical information about client master data changes, pep, debarment, monitoring, FIU reporting status with probable relationship across other clients
- Brokers and Banks need to change their approach w.r.t Client Screening and due diligence w.r.t master and transaction monitoring.
- It is important that not only all types of transaction type alerts are covered but also client screening to clearly give the risk profile, which helps user to take meaningful decision with a quick turnaround time.

Conclusion: We all know this industry risk is always on tenterhooks either due to a macro level news like a budget or company specific news like results or related announcements or a sudden onslaught of a new disease.

Hence it is critical for banks or brokers to support regulatory effort to create a more strong sustainable compliance and risk management model.

To enable the same, firms have to adopt a compliance-risk framework incorporating the integral principles of -

- Shaping the risk culture and perspective, transparency in all material risk exposures, Integration of required compliance with organizational operational risk and finally the above can be effectively implemented only with Top-Down Monitoring. There has to be this conscious effort to reduce non-compliance to achieve good business growth as fear of law or fear of penalty can only be temporary disincentive.
- However cannot undermine the fact that the only point being, fear of huge monetary or other large penalty encourages use of systemic effort to help avoid incidence of such risks or non-compliance.

Rekha Shah - Analyze N Control
www.analyzencontrol.com|www.circularsnorders.com

- Analyze N Control (ANC) also has comprehensive suite of state of the art softwares catering to Broking Industry related to **Client Screening, Surveillance, Anti Money Laundering** and compliance based products like **Power Updates (Weekly Newsletter), CircularsNOrders - a unique regulatory search engine** and **CircularsNOrders Emailing with implications.**
- ANC has released Regulatory Notifications related **"Power Alerts"** on Android which is complimentary service to Members.
- Rekha Shah is a founder of Analyze N Control which is actively involved in providing solutions to the Capital Markets. Her total work experience is more than 30 years and in Broking industry spans for more than 25 years including employment upto 2002 and then as service provider/software development through ANC
- Rekha has done her Business Management from Jamnalal Bajaj Institute of Management Studies,
- Rekha has been invited by various forums including workshops and training held by SEBI (Securities Exchange Board of India), NSE (The National Stock Exchange of India), BBF (BSE Brokers forum) and ANMI (Association of National members of India) for presiding on the panel with regulators and presenting in seminars especially emphasizing on corporate governance, process reengineering, and compliance, efficiency and risk management.

Regulatory Assistance

CIRCULARS ANALYZING CIRCULARS

02 February - 22 February 2020

Regulator	Important Circular's Title For The Period
SEBI	**Guidelines for Portfolio Managers -->>** After the inputs received from public and recommendations of Working Group, SEBI made some modification in PMS Regulations. ~~There will be no upfront fees charged to clients and operating expenses & exit load is now capped as specified in circular. ~~Charges for associates are also capped as specified in circular. ~~Option for direct (without intermediation) on-boarding of clients to be given now. ~~ Investment approach should now be uniform and should include criteria as specified in circular. ~~Periodic reporting includes changes in frequency of compliance submission on annual basis and CA net-worth certification and compliance as per PMS Regulations and circulars, signed by Principal Officer for FY end as per specified frequency. ~~Monthly reporting in specified format as per Annx A for portfolio management activity on SEBI Intermediaries Portal and on quarterly basis to clients in format as per Annex B. ~~Marketing material related changes upload on website w.r.t any aspect having impact on client portfolio and performance. ~~Aggregate firm level performance reported in any document to be same as combined performance of all portfolios managed and to be audited annually and submitted to SEBI duly certified by authorised KMP. ~~Disclosure Document to include all material changes as specified. ~~Distributor service to be availed only from AMFI and NISM certified as specified and to inform clients about income earned by distributors through their investments. ~~Finally compliance on distributor's code of conduct to be verified and self-certification to be taken from them on an annual basis.
SEBI/CDSL	**Common Application Form for Foreign Portfolio Investors -->>** Common Application Form (CAF) required for (a) registration of FPIs with SEBI, (b) allotment of PAN and (c) carrying out of KYC for opening of Bank & Demat Account. For applicants who want to register as FPI, are required to fill CAF and 'Annexure to CAF' and provide supporting documents and applicable fees for SEBI registration and issuance of PAN, further other intermediaries can rely on CAF for KYC while dealing with FPI.~~DDP can continue to accept in–transit FPI applications for 60 days from this Circular as prescribed in operational guidelines.~~Custodians to notify about the same to their FPI clients and also CAF, Annexure to CAF and Operational guidelines are enclosed as Annexure.
SEBI	**Disclosure Standards for Alternative Investment Funds (AIFs) -->>** SEBI after considering inputs from public comments and deliberations in AIPAC, decided to introduce template(s) for PPM, subject to certain exemptions, and mandatory performance benchmarking for AIFs with provisions for additional customized performance reporting.
SEBI/NSE	**Performance review of the commodity derivatives contracts -->>** For ensuring that derivatives contracts are closely aligned to physical markets, it is important to have performance review measures. Further after consultation with Commodity Derivatives Advisory Committee (CDAC) it was decided that all exchanges to review performance of contracts in this segment as per the parameters given in circular and should be done in consultation Product Advisory Committee (PAC) & review to be conducted on annual basis along with methodology adopted to be disclosed on their website by 30th June of the following financial year. Parameters for performance review given in Annexure-I and the same is applicable from April 01, 2020.
SEBI	**Currency Future and Options Contracts (involving Indian Rupee) on Exchanges in IFSC --->>** Reference to SEBI IFSC guidelines which permitted dealing in currency derivatives by exchanges in IFSC in April 2015 and RBI vide circular dated January 20, 2020 issued directions for introduction of Rupee derivatives at IFSC. Hence currency futures and options contracts involving Indian Rupee (with settlement in foreign currency) ,Hence position limits given~~Gross open position for TM/ Institutional Investors/ Eligible Foreign Investors per currency pair per stock exchange is 15% of total OI or USD 1 billion equivalent, whichever is higher.~~ Further, for Other Clients Gross open position for all contracts is 6% of the total OI or USD 100 million equivalent, whichever is higher. Exchange will charge appropriate penalty for violation of position limits.
SEBI - REPORT FOR PUBLIC COMMENTS	**Discussion Paper on proposed amendments in SEBI SAST Regulations, 2011 -->>** SEBI has given a discussion paper for public comments w.r.t proposed amendments in Takeover Regulations on Completion of acquisition through bulk and block deals during the open offer period, Depositing 100% escrow in case of open offers made pursuant to indirect acquisitions and Payment of interest in case of delay in open offers. Comments may be forwarded to sastreview2020@sebi.gov.in or post latest by March 02, 2020.
SEBI- PRESS RELEASE	**SEBI Board Meeting -->>** Major highlights of the SEBI Board Meeting held on February 17, 2020 were as follows : 1. Insertion of new chapter regarding granting limited certificate of registration to interested entity for facilitating testing without being subjected to the entire set of regulatory requirements . 2. Amendments to IA regulation by making mandatory for IA's to make agreement with client incorporating all key terms and conditions regarding IA Services for transparency and further regarding Segregation between Advisory & Distribution Activities , Enhancement of Eligibility criteria and prohibition on using nomenclature "Independent Financial Adviser (IFA)" or "Wealth Adviser" or any other similar name unless registered with SEBI as IA.. 3. Amendments to INviTs 2014 and REiTS 2014 regarding fast track issue and providing alternative option in terms experience for investment manager. 4 . Amendments to MF Regulations by providing non-bank custodians to offer custodian services for gold or gold related instruments of Gold ETFs in addition to bank-custodian and has made mandatory for Sponsor or AMC to invest in close ended schemes as well.5.Amendment to Depositories and Participants Regulations by enabling re-pledge of securities pledged in dematerialized form.
SEBI- PRESS RELEASE/ BSE/NSE	**Implementation of Section 51A of UAPA, 1967 - Addition of 1 entry in 1267 List -->>** There is addition of one entry in Democratic Republic of the Congo (DRC) Sanctions list named (Cdi.036; SEKA BALUKU of Ugandan origin) and one entry in ISIL (Da'esh) & Al-Qaida Sanctions Committee named (QDi.425; AMADOU KOUFA of Malian origin).~~Intermediaries to ensure updation of their screening system for client due diligence.
SEBI- PRESS RELEASE	**SEBI develops an online system for detecting misuse of clients' securities by brokers -->>** To prevent misuse of clients securities from broker, SEBI has developed an in – house online system by which it would be able to prepare client level securities holding register of the brokers.~~Through this system, SEBI collects the details of the clients' securities submitted in weekly report filed by brokers with exchanges and updates the same with trades conducted in the accounts of said clients using the data available with SEBI in DWBIS as well as data provided by Exchanges, CC and Depositories pertaining to auction trades, corporate actions, SLBM transfers, off market trades.~~The securities holding balance computed is matched with the actual clients' securities holding in the demat account and submission made by the broker for the next day. Any mismatch in data is flagged as an alert for Exchanges.
SEBI- INFORMAL GUIDANCE	**Nimish Upendrabhai Patel under SAST Regulations, 2011, PIT Regulations, 2015 and ICDR Regulations, 2018 -->>** Promoter acquiring shares through inter-se off-market transfer of shares or through block deal window mechanism and thereafter wants to transfer the same to the acquirer trusts within six months will attract contra trade restrictions under PIT Regulations and further only gross acquisitions alone to be taken into account account regardless of any intermittent fall in shareholding or voting rights whether owing to disposal of shares held or dilution of voting rights owing to fresh issue of shares by the target company and in case of acquisition of shares by way of issue of new shares by the target company difference between the pre-allotment and the post-allotment percentage voting rights shall be regarded as the quantum of additional acquisition.~~As per ICDR Regulation specified securities allotted on preferential basis to the promoters or promoter group and the equity shares allotted pursuant to exercise of options attached to warrants will be locked-in for a period of three years from the date of trading approval granted for the specified securities or equity shares allotted pursuant to exercise of the option and the lock in periods shall continue for the remaining period with the transferee in case of transfer of shares.
SEBI- INFORMAL GUIDANCE	**JSW Steel Limited regarding SEBI (Share Based Employee Benefits) Regulations, 2014 –>>**Company (JSW Group) questions SEBI whether SAR which is proposed to be set-up by Joint Ventures(Group entity) and Promoter Controlled Entities(Not a Group entity) for the benefit of employees of Joint Venture and Promoter Controlled Entities respectively and not for the benefit of

	the employees of JSW Steel of its subsidiaries, falls under purview of SBEB Regulations, and if not, whether there is a prohibition under any SEBI Regulations in executing such a Scheme.~~ SEBI in its reply said that SBEB Regulations is applicable to those companies whose shares are listed on any recognized stock exchange in India and has a scheme, which is set up, funded or guaranteed and controlled or managed by the company or any other company in its group for the direct or indirect benefit of the employees, and employee as per Regulation 2 (1) (f) of the SBEB Regulations means employee or a director of the company or of a subsidiary, in India or outside India or the holding company of the company. Therefore, in case of Joint Ventures which is a group entity with less than 50% stake of JSW Steel and the said scheme is not for the benefit of employees so it does not fall under the ambit of the said SBEB Regulations and the same applies in case of promoter controlled companies which is also not set-up for the benefit of the employees of the listed company. ~~ Hence both the cases do not fall under the ambit of SBEB Regulations.
SEBI-INFORMAL GUIDANCE	**M/s Infosys Limited regarding SEBI (Buy-back of Securities) Regulations, 2018 and SEBI (Share Based Employee Benefits) Regulations, 2014 -->>** Company seeks advise from SEBI whether it can allot equity shares upon exercise of vested "restricted stock units" (RSUs) after completion of one year vesting period, i. e. on June 21, 2020, prior to the one year period from the end of the buy-back period as Regulation 24(i) (f) of the Buy-back Regulations prohibits a Company to raise further capital for a period of one year from the expiry of buy-back, except for the discharge of its subsisting obligations ~~As per Regulation 24(i) (f) of Buyback Regulations, it restricts further issue of capital for a period of one year from the expiry of buyback period, except in discharge of its subsisting obligations~~Hence, in view of the above, issuance of shares pursuant to conversion of RSUs can be considered as subsisting obligations and hence applicant may issue equity shares after completion of one year vesting period as per specified compliance.
BSE/NSE	**Applicability of STT on Trading in Rights Entitlements (REs) -->>** Trading in dematerialised Rights Entitlements (REs) on the Exchange will be chargeable to STT at the rate of 0.05% of the value at which such REs are traded and will be borne by seller.
BSE	**Revised file format for Daily Margin Report -->>** File format of Daily margin report is revised by adding new column of "Daily Volatility" alongwith all applicable margins in existing format, on account of Review of Margin Framework for Commodity Derivatives Segment and the revised format will be effective from March 02, 2020.
BSE	**Cancellation of APs and Remisier registration affiliated with inactive Trading Members of the Exchange -->>** APs and Remisiers face challenges in case of inactive TMs where the management/promoters of such TMs are not responding to communications and the APs and Remisiers are unable ensure that the process of cancellation of their registration on the Exchange is carried out seamlessly in a timely manner.~~ Further, APs and Remisiers affiliated with inactive trading members are advised to follow the process for cancellation of registration affiliated with inactive TMs as detailed in Annex.~~However in case of AP and Remisiers affiliated Defaulter/Expelled members, Exchange shall suo moto cancel their registration.
BSE	**Review of Margin Framework for Commodity Derivatives Segment -->>** New margin framework with respect to Minimum Initial Margin ("Minimum IM") percent and Margin Period of Risk("MPOR") in a phased manner to be implemented for 11 specified commodities is detailed in Circular and to be effective from March 05, 2020.~~Further information regarding withdrawal of additional surveillance margin on Guar GUM, Guar Seed and Turmeric till April 21, 2020 in phased manner is detailed in circular.~~ICCL to levy additional lean period margin of 2% on all Agri Contracts expiring during Lean Period.
BSE/NSE	**Review of Margin Framework for Commodity Derivatives Segment -->>** CCs to categorize commodities into 3 categories of volatility based upon the realized volatility for last three years.~~MCXCCL to levy lean period margin on Agri Commodities of 2% on contracts expiring during the lean period.~~ Further applicable Revised Minimum Initial Margin (IM) and Minimum Margin Period of Risk (MPOR) for commodity derivatives contracts as per revised norms is enclosed as Annexure/in circular.
BSE/NSE	**Long-Term Additional Surveillance Measure (Long -term ASM) - Update -->>** Providing details of revised criteria for shortlisting the stock under LT- ASM Framework Criteria 6 w.e.f. February 19, 2020 based on Close to Close Price Variation, SME Index Variation and market capitalisation by top 25 clients excluding market makers .~~Further for stage wise surveillance action of SME stock after

	inclusion in LT- ASM criteria 6 , Price variation of at least 25% + Beta (ß) of SME stock and market capitalisation by top 25 clients excluding market makers will be considered.
BSE/NSE	**Clarifications on Margin collection & reporting -->>** Currently, margins collected from eligible related persons/entities in approved forms was considered towards margin of such client.~~Margin available of related entities (as specified in exchange circular dated December 31, 2019)of the client cannot be considered as margin of the respective client, w.e.f. April 01, 2020. ~~Hence margins to be collected from respective client only.
BSE	**Launch of non demat transactions in Mutual Fund Units on BSE StAR MF Platform.-AOF Update -->>** As Exchange placed additional validation in the system for NEW UCCs created by member, wherein the AOF uploaded by the member will be mapped to member code and PAN.~~Hence members to upload the AOF images for all the NEW UCCs created by them and thereafter the same will be sent to RTA for further verification and the response received shall be updated against the AOF for each RTA w.e.f February 29, 2020.
BSE	**Revision in Price Reasonability Check for Sensex Option Contracts -->>** Revised PRR slabs for Sensex Options contracts is detailed in circular and same will be effective from February 17, 2020 and same will be revised further based on prevalent market conditions.
BSE	**Amendment of Liquidity Enhancement Scheme (LES) in Equity Derivatives -->>** Exchange to amend LES in equity derivatives by Introducing 2 Designated Primary market makers (DPMM) in SENSEX Options and revised quoting obligations for such, and by revising quote, OI and turnover based incentives and Discontinuing designated primary market making scheme in Stock F&O. ~~Further, there are no changes in other T&C of existing LES scheme for designated secondary market making and the changes to be applicable from March 02,2020.
BSE	**Equity/Currency Derivatives - RTRMS Interface Changes -->>** User Interfaces for RTRMS have been improved from risk perspective at TM/CM level and the new interface provides break up of Initial and Extreme Loss Margin values and utilisation % and calculated values of Capital Required.~~The new interface deployment will be effective from February 17, 2020.
BSE	**New VaR Margin File -->>** ICCL to publish on daily basis new Equity Segment Margin File for providing breakdown of Total Margin into VaR, ELM and AM, in addition to the current available Margin Files, on ICCL Website and Extranet on specified path w.e.f. February 6, 2020.
BSE	**Advertisement FAQ -->>** The FAQ focuses on Social Media factored Advertisements, however there are certain practices in vogue with respect such advertising by TM and the scenarios have been explained in FAQ~~Approval through 'NEW ENIT-COMPLIANCE with Application details is also explained in given circular and Types of Advertisements/Publications/communications that necessitate or do not require prior approval has been elaborated~~Violations will be suitably penalised as per applicable provisions~~Members not complying with Advertisement Code may have to face disciplinary proceedings including but not limited to penalty of Rs. 50,000/- per instance.
BSE	**Number of partitions to be reduced from 2 to 1 in currency/commodities derivatives segment- Update -->>** TM to note that reduction in number of partitions from 2 to 1 is postponed to 17th February 2020 instead of 10th February 2020. Further ETI applications will be there in partition 2 for Session logon response till 14th February 2020.
NSE PRESS RELEASE	**Revision in criteria and replacements in Indices -->>** As per revised criteria, company will now have to form part of NIFTY 500 at the time of review instead of ranking within top 800 based on both average daily turnover and average daily full market capitalisation based on previous six months period data.~~Further if number of eligible stocks representing a particular sector within NIFTY 500 falls below 10, then deficit number of stocks will be selected from the universe of stocks ranked within top 800 companies.~~Replacement of stocks in various indices as part of its periodic review is detailed in circular and same will be effective from March 27, 2020.
NSE	**Performance review of the commodity derivatives contracts -->>** For ensuring that derivatives contracts are closely aligned to physical markets, it is important to have performance review measures. Further after consultation with Commodity Derivatives Advisory Committee it was decided that all exchanges to review performance of contracts in commodity derivative segment as per the parameters given in circular and should be done in consultation with PAC & review along with methodology adopted to be disclosed on their website, conducted on annual basis and to be disclosed by 30th June of the following financial year. Parameters for performance review is given in Annexure-I and the same is applicable from April 01, 2020.

NSE	**Review of Margin Framework for Commodity Derivatives Segment -->>** New margin framework with respect to Minimum Initial Margin ("Minimum IM") percent and Margin Period of Risk ("MPOR") in a phased manner to be implemented for GOLD/GOLDM , SILVER and BRENT CRUDE to be effective from March 05, 2020 is detailed in circular.~~Further, Minimum IM % provided should not be scaled up by MPOR. All other margins inter alia Extreme Loss Margin, ICMTM Margin, Tender Period Margin, Delivery Period Margin, Concentration Margin, Additional Margin and Special Margin as currently applicable should continue.
NSE	**Trading in Rights Entitlement -->>** Trading parameters for trading Rights Entitlement in the Capital Market Segment is detailed in circular and further units falling within trading Rights Entitlement parameters will be available for trading in Continuous & Closing session only.
BSE/NSE	**Prior approval for change in Designated Directors/ Ordinary Directors for Banks and Primary Dealers -->>** Banks & Primary Dealers whose Directors comply with criteria of Fit & Proper as laid down by RBI are exempted from taking prior approval of the Exchange for change in Designated Directors/Ordinary Directors and further also to ensure newly appointed Designated Directors/Ordinary Directors are 'Fit and Proper' as per SEBI (Intermediaries) Regulations, 2008.
NSE	**OFS - Mock session on eOFS platform -->>** Exchange to launch web based eOFS platform and to get acquainted with the system, mock sessions to be held on February 19, 2020 on URL as provided in circular and Security parameters for same is enclosed as Annexure.~~Further Revised file format with order ID field with string 16 for order entry bulk upload and carry forward bulk upload where is provided in Annexures .
NSE	**Waiver of Transaction charges - SLB Scheme -->>** Waiver of Transaction charges in SLB Scheme has been extended till March 31, 2021.
NSE	**Treatment of Inactive Trading account -->>** To ensure uniformity across all exchanges regarding treatment of inactive accounts, guidelines given in joint consultation with other Exchanges.TM to flag such cases as "Inactive" in UCC database, further trading to be facilitated only after undertaking sufficient due diligence including IPV and updated KYC and only then the client can be activated and UCC database to be updated prior to execution.~~TMs to make all specified efforts to trace clients to settle their funds and securities and maintain an audit trail, else to open separate Client Bank/Client collateral demat account and set aside the funds and securities in such account and transfer only after establishing authenticity of holder.~~TM not to report inactive clients in weekly /monthly submissions to exchanges.
NSE	**Application Programming Interface (API)- Trade download -->>** Currently, NCL provides facility to download trade via NCMS system of NCL, and the same is done through front end application. Further, as continual endeavour to support market participants it is proposed to achieve straight through processing without any manual intervention by providing API, where members are able to integrate their end systems with NCMS system of NCL.
NSE	**Reporting of Client Level Cash & Cash Equivalent Balances and Bank Account Balances -->>** Exchange to introduce weekly submission of day wise Client Level Cash/Cash Equivalent Balances and day wise reporting of Bank balances w.e.f April 2020 for enhancing the level of monitoring and prohibiting pledging of client securities for raising fund.~~Further revised format and mode of submission is enclosed as Annexures
NSE	**Update in field description of security.txt & nnf_security.dat file -->>** Field descriptions Call Aution1 market security to be replaced by SME security under SSEC Field of security.txt & nnf_security.dat file .~~Further Members are advised to load the updated security.gz/nnf_security.gz file in the trading application before trading on March 09, 2020. These files can be obtained from the directory common/NTNEAT on the Extranet server.
NSE	**ENIT - Digital Submission of Market Making Application -->>** Exchange to digitalize submission of request for Market Making user-id activation and deactivation for eligible SME securities through ENIT for faster processing and online tracking of the application status with effect from February 18, 2020.~~Accordingly members to send request for availing services of Appointment/Discontinuation/change of Market maker through ENIT.
NSE	**Software Support in Commodity Derivatives Segment -->>** Providing Details of key highlights of facility of Software Support to be provided by NSE for easy access to members in commodity derivatives segment for the financial year 2020-21 and same will be applicable from February 17, 2020.~~Further list of Software Service Providers is enclosed as annexure.

NSE	**Penalty on Abnormal / Non-Genuine Transactions -->>** Exchange to levy minimum penalty of 15% and maximum up to 100% of the profit earned / loss incurred by TM for both profit and loss with regards to abnormal/non-genuine transactions after following due process & providing necessary opportunity to TM for clarification in the matter and exchange would to take disciplinary action for the same. ~~Further TMs to ensure, to have requisite systems for monitoring Abnormal / Non-Genuine transactions.~~ The same to be made applicable in all segments i.e. Equity, F&O, Currency Derivatives, and Commodity Derivatives Market, with immediate effect.
NSE	**Market Data Stream broadcasts in CM and FO segments -->>** Introduction of Stream-wise broadcast (1 second frequency 5 depth data) of the Capital Market (CM) segment deferred till further intimation, however there is no change in effective date for enrichment of existing stream-wise broadcast in the Futures & Options segment i.e. Frbruary 10, 2020.
NSE	**Underlying asset broadcast -->>** Underlying asset data feed for currency pairs EURUSD, GBPUSD, and USDJPY in CDS to be discontinued from March 31, 2020 by the end of business hours.
CDSL	**Enhanced Due Diligence For Dematerialization Of Physical Securities -->>** CDSL is migrating its Demat module from Silverlight to Dot-Net and the same is scheduled for release on Friday, February 14, 2020 and will be applicable with effect from Saturday, February 15, 2020.~~ DPs to note that old module (Silverlight demat module) will be discontinued with this release. Accordingly DPs to ensure its back offices to align with new requirements.
NSDL	**Exemption from clubbing of investment limit for foreign Government agencies and its related entities. -->>** SEBI has omitted the Regulation 20 (9) of FPI regulation, which was related to "Government of India entering into agreements or treaties with other sovereign Governments" by its amendment dated 19 December, 2019. SEBI by omitting the given regulation has ensured certain overseas government agencies and their related entities will be exempted from clubbing of investment limit that is applicable for foreign portfolio investors. ~~The exemption would be applicable where the Indian government has entered into agreements or treaties with overseas governments or there is an order. ~~The exemption is based on a rule under FEMA (Non-debt Instruments) Rules, 2019 regarding Investments by FPIs. Amended operational guidelines are enclosed as annexure.
NSDL	**Addition of Clearing Corporation ID for settlement of Mutual Fund trades of ICEX -->>** As subscription and redemption orders in respect of Mutual Fund schemes submitted on ICEX made operational CC ID allotted to MCCL-ICEX Clearing and three market type codes 01/02/03 for Normal Subscription/Liquid Subscription/ Normal Redemption respectively added to CC calendar for settlement of "Mutual Fund" segment.~~Further Procedure for opening CM Accounts for Clearing Members of ICEX is detailed in circular
NSDL	**Inter Depository Transfers of Government Securities -->>** Before execution of every IDT instruction, DPs to verify one-time self-declaration obtained in specified format regarding bonafide transfer instruction before executing IDT instructions in G-Sec in their demat.~~Further DPs to allow IDT in Demat account having one time self-declaration flag enabled and details for submitting one-time self-declaration electronically through NSDL SPEED-e system will be notified separately.~~DPs to ensure board approved risk management processes and audit oversight to be applied before transaction and confirm the same to depositories. Format for the same is enclosed as annexure.

Compiled by **Rekha Shah with Team Power Updates, Analyze N Control**
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Regulatory Assistance



COMPLIANCE REQUIREMENT FOR THE MONTH OF APRIL - 2020

Compiled by

CA KAMLESH P. MEHTA
(FCA, DISA)

M/S. KAMLESH P. MEHTA ASSOCIATES

Exchange/ Authorities	Particulars	Due Date
BSE / NSE / MSE / MCX / NCDEX	Contract note serial no. to be setup starting from No. 1	01/04/2020
All Exchanges and Depositories	Revised rates of Stamp duty – to be collected by exchange and Depositories.	01/04/2020
All Stock exchanges	New norms for margin collection and reporting in Cash segment with penalty.	01/04/2020
All stock exchanges	Margin available with relatives entities of the client can not be considered as margin of the respective client.	01/04/2020
PMS	PMS- Uploading of activity report on SEBI Portal	05/04/2020
All Exchanges	Contingency Drill / Mock Trading session (Subject to circular to be issued from the exchanges)	04/04/2020
NSE	NSE- Uploading of margin funding file for the month of March 2020	07/04/2020
BSE	BSE- Uploading of margin funding file for the month of March 2020	07/4/2020
All Equity & Commodity Exchanges	Uploading of Clients' Funds, collateral and other details lying with the member broker – Week ended 03.04.2020	09/04/2020
Stamp Duty	Payment of Stamp duty: - Security and Commodity Exchanges for the month of March, 2020	10/04/2020
Depositary	Investor Grievances (Report) • CDSL & • NSDL	10/04/2020
All Stock Exchanges	Applicability of uploading of day-wise holding statement, day wise cash and cash equivalent balances and bank balance reporting to clients in the specified standard format to exchange. - Week ended 04.04.2020	13/04/2020
MSE	Submission of client funding details for the month of March 2020	14/04/2020
BSE/NSE	Submission of compliance certificate by compliance officer for the execution of orders	14/04/2020
All Exchanges	Reporting for Artificial Intelligence (AI) and Machine Learning (ML) applications and systems offered and used by market intermediaries.	15/04/2020
All Equity & Commodity Exchanges	Uploading of Clients' Funds, collateral and other details lying with the member broker – Week ended 09.04.2020	16/04/2020
All Stock Exchanges	Applicability of uploading of day-wise holding statement, day wise cash and cash equivalent balances and bank balance reporting to clients in the specified standard format to exchange. – Week ended 11.04.2020	17/04/2020

NSDL	Risk Assessment Template for the period from 01.10.2018 to 31.03.2020 (Subject to circular to be issued from NSDL)	20/04/2020
All Equity & Commodity Exchanges	Uploading of Clients' Funds, collateral and other details lying with the member broker – Week ended 17.04.2020	22/04/2020
All Stock Exchanges	Applicability of uploading of day-wise holding statement, day wise cash and cash equivalent balances and bank balance reporting to clients in the specified standard format to exchange. - Week ended 18.04.2020	23/04/2020
All Equity & Commodity Exchanges	Uploading of Clients' Funds, collateral and other details lying with the member broker - Week ended 24.04.2020	29/04/2020
All Stock Exchanges	Applicability of uploading of day-wise holding statement, day wise cash and cash equivalent balances and bank balance reporting to clients in the specified standard format to exchange. – Week ended 25.04.2020	30/04/2020
NSE	Issue of STT statements for the F.Y. 2018-19 to clients.	30/04/2020
NSE / BSE / MSE	Statement of accounts for funds and securities to all clients for the period 1-1-2020 to 31-03-2020 (For non running accounts)	30/04/2020
NSE / BSE	Submission of Margin Trading Compliance Certificate & Networth certificate for the half year ended March 31, 2020 (For those who have availed Margin Trading Facility)	30/04/2020
MCX / NCDEX	Quarterly Statement of accounts for funds & Commodities to all clients for the period 01/01/2020 to 31/03/2020	30/04/2020
CDSL / NSDL	Submission of tariff structure to CDSL/NSDL	30/04/2020
MSE	Submission of compliance certificate for the quarter Ended March, 2020 by compliance officer for execution of orders	30/04/2020
Income Tax	TDS Payment for the Month of March 2020	30/04/2020
NSE / BSE / MSE	Issuance of Global Report to clients for the trade executed during the F.Y. 2019-20	30/04/2020
CDSL	Risk Assessment Template for the period from 01.10.2019 to 31.03.2020	30/04/2020
NSE / BSE	Updation of PAN details of KMP and Directors	30/04/2020
BSE	Submission of No. of STR filed with FIU-IND for the month of March, 2020. (Including NIL STR)	Before 30/04/2020

Kamlesh P. Mehta, B.Com. FCA, DISA (Post qualification course in information system audit from ICAI) is a practicing Chartered Accountant by profession having an experience of 26 years in the field of capital market compliance consultancy, depository services audit, management consultancy, system audit and Commodity market compliance consultancy.

He is a Proprietor of CA firm M/s. KAMLESH P. MEHTA ASSOCIATES & Partner of MEHTA SANGHVI & ASSOCIATES located at Borivali, Mumbai.

He is also providing compliance calendar to BSE brokers forum and ANMI regularly and same is published in their journal. Recently he and his team had drafted compliance manual for commodity brokers published by BSE brokers forum.

He is a regular speaker of the various seminars for broking and DP compliances organized by WIRC (Western India Regional Council of ICAI) and study circle group.

Entrepreneurs of YOUNG INDIA

DELNA NALLASETH

Freelance Celebrity / Fashion Stylist



STYLE CHRONICLES: THE JOURNEY TO BECOMING A FASHION STYLIST.....

> "Styling is the art of bringing out what is best in you. Knowing yourself is the first step towards looking good."

At 30, Delna Nallaseth's words ring true of wisdom and insights on the fashion industry that are well beyond her years. An established wardrobe consultant, personal shopper, fashion/celebrity stylist and brand product consultant, Delna's experiences in this field have given her work a unique and much sought-after touch. Her knowledge is deep, making her styling extremely personalized and almost intuitive to her client's needs. It molds itself to different people, occasions and professions. It is no wonder then that her clientele harks from a spectrum of industries like entertainment, journalism, sports, investment banking, corporates, entrepreneurs and more. **While her client list includes names like Mrs. Mira Rajput Kapoor, Ms. Malavika Sanghvi and Mr. Pankaj Advani, brands like Irasva Jewellery, Anj and Rocky S have entrusted their image to her.**

"The most important step is to marry your personality with your outfit, taste, interests, desires, inspirations and aspirations. You bring a couple or all of them together and let it shine in the way you dress."

Delna believes in helping her clients identify their own personal style and mixes it with a new look that's appropriate for every occasion and appearance. When asked about the secret of good styling, she states it without a moment's hesitation. Understanding your body type, dressing smartly and appropriately for the occasion, and wearing your lookwith confidence. For Delna, fashion and clothes are just an extension of one's self - a means of personal expression.As her work shines, we see that she has steadily been applying this logic in her already extensive career.

But, where did this clarity come from, we wonder? How did she get so far, so young? What choices did she make? What was her journey like?

"When I was in Raffles Design International, I entered a competition called Mijwan Sonnets in Fabrics in support of reviving Indian crafts. The competition was led by Mrs. Shabana Azmi and mentored by industry experts like Anita Dongre and Manish Malhotra. I entered, not expecting to win. To my surprise I won. That's how I landed my first internship job with Anita Dongre. I haven't looked back since."

7 years ago, a fresh-faced, bright-eyed woman took a leap of faith and jumped into the world of fashion design and styling. Her father and sister were flourishing in the hospitality business, and Delna Nallaseth knew she could always fall back on that as a career path. But something in her gut made her choose otherwise. Something told her she was meant for a different, more creative field.

In 2007, Delna joined Raffles Design International, a well-known fashion design institute in Mumbai. Little did she know how much her life would change from here on. It was in this institution that Delna won a contest and was spotted by one of the most inspirational designers, Anita Dongre. She was offered her first job as an intern in the House of Anita Dongre. While Delna started learning the ropes of the industry, Anita watched her work. She felt that Delna was meant for bigger things, for the forefront, to lead and not follow. She convinced her to take up fashion styling.

"And that was my calling."

Under Anita's wing, Delna was exposed to working with celebrities and models, as well as industry experts in photography, hair and makeup. She became the first stylist in the company and headed all 5 brands - Anita Dongre Bridal, Global Desi, AND, Anita Dongre Man, and Grassroot. Her portfolio of work consisted of styling ad campaigns, e-commerce shoots, and fashion shows. Eventually, Delna grew to a position of Lead Stylist with a team of three stylist under her. This gave her the confidence and courage to take on more risks, more work.

In her stint at the House of Anita Dongre, Delna also took the lead on many international exhibitions and shows. As she travelled, her portfolio grew and horizons widened.

Some of her most noteworthy work includes styling royalty like Her Highness the Duchess of Cambridge, Kate Middleton, Her Highness Sheikha Sheikha Bint Saif Al Nahyan and the Nahyan family of Abu Dhabi and Queen Mathilde of Belgium.



Mira Rajput Kapoor for the Ambani Wedding



Mira Rajput Kapoor for Diwali

Apart from them, celebrity styling was a big part of Delna's work. She styled stars like Sonakshi Sinha, Shraddha Kapoor, Mira & Shahid Kapoor, Dia Mirza, Dipannita Sharma, Juhi Chawla, Shabana Azmi and Gul Panag. Her editorial work also saw fame with her signature styling - Sonam Kapoor for Harpers Bride 2017, Anita Dongre for New York Cover, and the entire cast of the movie 'I am' for Femina.

In addition to all this, she also gained experience in art direction, creative storytelling, trend forecasting and research, merchandising and buying, accessory design, PR and communication, visual merchandising and brand building. Delna's career, so far, had offered her a wholesome combination of fabulous opportunities and unexpected challenges. And she had taken it all in her stride, head on, if you will.

All of these experiences and insights honed Delna into what she is today. A stellar stylist, a confident leader and a fiercely independent woman ready to change the face of fashion.

"My journey has just begun."

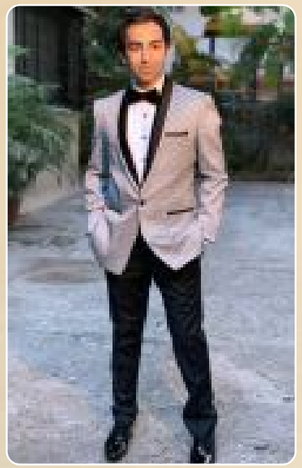
Even with so many credentials under her belt and so many proverbial feathers in her hat, Delna feels that this is only the beginning for her. Now, she is all set to carve a signature niche out for herself. Her energy is infectious, her smile, disarming and her dreams, larger than ever before.

"I've come so far. I look for war d to doing so much more."

Thoughts on styling for today's millennials:

Following the mantra of less is more. Here are a few tips to help you style yourself flawlessly.

The first step to styling is knowing your body type and identifying the colors that suit your skin tone. This will help you pick the right silhouettes and colors.





Styles Pankaj Advani for various events

BROKERS FORUM
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Always dress for the occasion, wear your look with confidence and do not mindlessly follow trends.

Mono tones are essential to every wardrobe but a bit of color can help add an interesting dimension to your everyday look. Mixing light and dark colors for a subtle contrast can be a great way to amp up your look. Do not over accessorize your look, keep it minimal and classic. If you are an individual who loves accessories pair bold pieces with simple silhouettes to help balance your overall look.

Patterns are so much fun and are often the focal point of an outfit and therefore they should always be done right. Pair your prints with solid colored counterparts. If you love the print on print trend add a solid color jacket or scarf to break the monotony of the print.

Whatever you choose to wear however subtle or bold, wear it with confidence and you'll never go wrong.

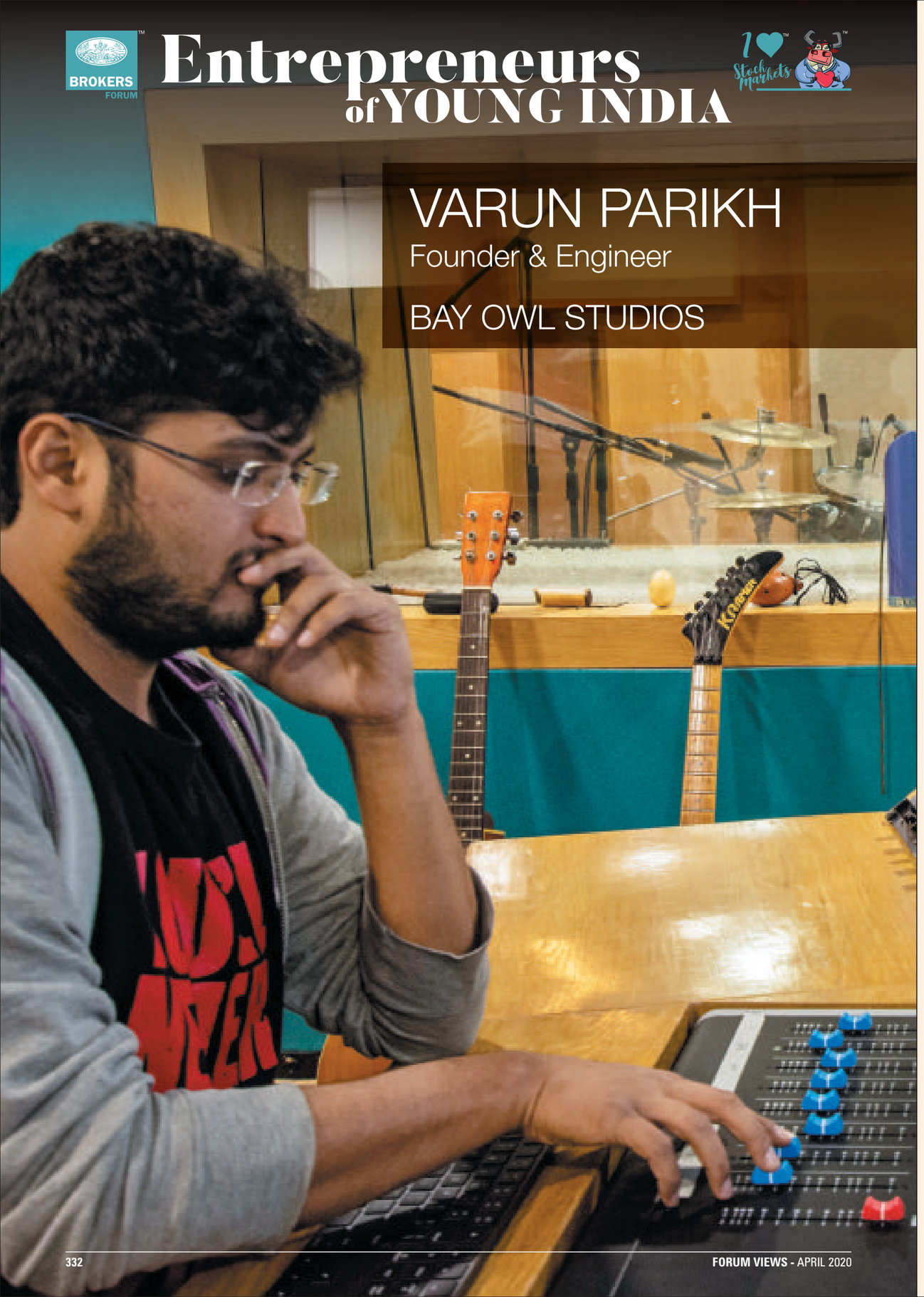
"Always dress for the occasion, wear your look with confidence and do not mindlessly follow trends."



Defna Naffaseth

Spring Summer design

Entrepreneurs of YOUNG INDIA



VARUN PARIKH

Founder & Engineer

BAY OWL STUDIOS

As I sit down to write this article, I can't help but notice the irony of it. I've been asked to write an article in my capacity as a young, successful entrepreneur; but as far as I'm concerned, I've just begun walking down this path, towards an end goal that isn't in sight yet.

Isn't 'Success' a funny word?

So hard to label and box into a category, and yet it is one of the parameters on which one is judged in today's society, based on society's own interpretation of the word.

So how does one go about defining the subjective? Should we purely consider the financial rewards? Does one's state of mind and mental health come into the picture? Do intangible remunerations even matter?

The not so simple answer according to me, is to define your success by what you want from life, not by how others perceive it.

That piece of heightened philosophy would make me a hypocrite. Through the never-ending quest for conventional success over the last decade, I lost sight of some of the things that truly matter, family, friends, and a work life balance. It wasn't until I found grounding in a truly exceptional life partner that I was able to reintegrate some of that balance back into my life. There is no price that can be put on the value your loved ones add, even to your work life. They are the only ones that will stick with you through the lows, and provide an unfiltered opinion when you stretch yourself thin.

Success is a state of mind.

Your mind is always going to be your most powerful asset, irrespective of the field that you are in. For the longest time I wasted away, filling my mind with things that didn't matter, staying awake into the wee hours clicking on the 'recommended videos' tab on the right. That pointless mental and physical exhaustion watching random videos on social media till five a.m., reflected in an evident sluggishness through the next day. Keep your mind clean of these drugs, and the rest will fall into place. I used to believe that sleep was a waste of time, not anymore. In a cut throat world that more often than not burns you out before you hit forty, value every bit of rest that you can get. Even computers need the occasional power cycle to clear their non-volatile RAM.

Do not mistake the above for laziness. Laziness, in my opinion, is the greatest enemy of progress. Understand that like pretty much everything in life, success is a feeling of mutual gratification between body and mind. At the end of the day, there is nothing more satisfying than knowing that you have put in the effort and hard work, the result is not always the most important aspect. As an entrepreneur the monetary success will have its highs and lows, but the satisfaction of building something that you can call your own, something that only you know has tremendous potential, is something that you will cherish forever.

Laziness, in my opinion, is the greatest enemy of progress. Understand that like pretty much everything in life, success is a feeling of mutual gratification between body and mind. At the end of the day, there is nothing more satisfying than knowing that you have put in the effort and hard work, the result is not always the most important aspect.

Although my journey as an entrepreneur has only just started, the path that brought me to this point began a long time ago. One car accident, two dislocated hips, two fractures, five surgeries and one hip replacement, took me from a first bencher in grade ten, to a backbencher in grade twelve. I didn't suddenly lose interest in going to school, I just realised that there were more important things to look forward to in life than chasing ink on a glorified parchment. And so began the trial and error of choosing a career. After sitting behind a desk at a top four accounting firm for two years, I decided to venture off the beaten path, quitting chartered accountancy and the college where I was pursuing a Bachelor of Commerce. On going home that night, I shortlisted three passions that I loved enough to make into a career - movies, music and sports. I was extremely fortunate to have parents, grandparents, and a younger sister, all of whom supported my aspirations and helped guide me in my decisions. When society berates you for having the courage to drop out of a conventional education stream, having your loved ones' support, really helps pull you through. Soon after, I took up a course in filmmaking and it was only on one of our film projects that I eventually realised that sound was where I wanted to be.

The sad truth is that unconventional educational paths in our country are nowhere close to regulated. Anyone can open up an "institute" and start "teaching", and when the certificate you get in hand is dependent purely on paying your fees rather than your knowledge on the subject, it's up to you to choose to gain value and new information. At the end of the day it boils down to how badly you want to learn and grow, and with the vast sea of resources available online, it's not that hard to take it upon yourself to keep learning, I still am, and will always continue to do so.

My formative years as an assistant engineer were hard, not because I was at the studio eighteen hours a day, but because I was judged to have no skin in the game, purely based on my postal address. Don't get me wrong, I don't regret that time, or the people who tried to dampen my ambition, rather I'm grateful to them for teaching me valuable life skills, especially ones that an entrepreneur ought to have. It was only after the first six months in this field that I was able to grow. I was lucky enough to have worked at a studio where I was given enough practical exposure that allowed me to make the kind of mistakes that you gain invaluable experience from.

No matter which field you are in, your theory is only as strong as your ability to apply it, and your application is only as strong as your understanding. Over the next four years I learnt a great deal, but the most important lessons were things that no one can teach you, lessons about what not to do. Through daily observation and by making your own mistakes, you learn what not to do, and that becomes an integral part of your entrepreneurial journey. You can always hire people to delegate work to, but no one prepares you for the things to avoid, except yourself.

The most commonly asked question I hear with reference to the word "Success", is - Where do you see yourself ten years from now?
Don't put pressure on yourself with those hyperbolic thoughts that your mind wastes time in conjuring to appease the musings of society. Our world changes too fast to worry about the following year, let alone the next decade. Live in the moment, love what you do, and ask yourself what success would mean to you. Model your life to live by that very definition that you choose. Modifying a famous quote, always remember - Just because it's happening in your head, does not mean it's not real.

The real success for me, is seeing a smile on my family's face whenever I meet them.

Varun Parikh, Founder & Engineer, Bay Owl Studios.

After junior college, and a brief flirtation with chartered accountancy, Varun ventured into a year long foundation in filmmaking, touching upon the basics in photography, animation, visual effects and editing. That path led him to completing his diploma in sound engineering. He has worked at several studios across Mumbai, and also assisted at the 2012 NH7 music festival in Pune. Last year Varun decided to start his own venture and so was born Bay Owl Studios, an audio recording and post production facility that boasts of gear imported from some of the leading manufacturers of professional audio equipment around the world. Still in its teething stages with the official launch just this past February, the studio has two fully equipped recording and mixing rooms, providing artists with an unforgettable recording experience!





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Nurturing Lifestyle



KNOWLEDGE & WISDOM

JAYA ROW

Founder &
Managing Trustee

VEDANTA VISION &
VEDANTA TRUST

Knowledge is often mistaken for wisdom. Knowledge is the accumulation of facts and data. It is being well informed. Wisdom is the application of the information. It is transformational. Society esteems the wise for their virtuosity. Subject matter experts number in the thousands, but rare are the wise. 'Knowledge comes, but wisdom lingers,' said Lord Tennyson. You may know recipes but not know how to make a delicious meal.

We know we should exercise, eat healthy and be positive. How many are able to actually follow through and achieve it? We know the value of hard work and discipline but we often take the easy way out and laze. Across time and throughout history many have been exposed to the spiritual dimension. But seldom has it been acted on.

Why is this becoming increasingly difficult? The world is full of distractions and we are lured by instant pleasures. Immediate gratification leads to long term misery while real happiness appears in the garb of pain. Anything that is in our long term interests is unpleasant in the beginning. Ignorant of this simple truth, we lose the peace of years when we run after the rapture of the moment.

There are three stages of gaining wisdom - sravana listening or reading, mananareflection and nidhidhyasana application. Sravana is the intake of knowledge. Having listened, we need to mull over it, contemplate on it, and look at it from different angles. Only then will the knowledge get integrated into our system. This is called manana. When the knowledge is internalised we live it. Nidhidhyasana is meditation which leads to Realisation, the last step to gaining knowledge of Self.

In the Bhagavad Gita, Arjuna speaks words of wisdom but is unable to live them. Krsna bridges the knowing-doing gap in Chapter 7 by guided reflection. He presents the knowledge from a fresh perspective and ignites original thinking.

Wisdom is the application of the information. It is transformational. Society esteems the wise for their virtuosity. Subject matter experts number in the thousands, but rare are the wise. 'Knowledge comes, but wisdom lingers,' said Lord Tennyson. You may know recipes but not know how to make a delicious meal.

Krsna begins with an analysis of the world and shows how Spirit permeates the universe. As humans we have the choice of staying with the world or penetrating through to the Force. Pursue limited, myopic goals or rise above the obvious and seek the Eternal. The choice is ours. Krsna supports us in our chosen path and ensures we obtain what we strive for. All paths eventually lead to Him. In the end everyone seeks happiness, infinite Bliss. Some look for it in the world, some through different religious practices. Krsna respects all paths. In this lies the open-mindedness of the Indian tradition. Not only do we respect all faiths but we accept even agnostics and atheists in our fold.

The onus is on us to figure out the quickest and most effective path to the goal of total Fulfilment. The ignorant, unaware of the higher, seek and obtain trivial, finite ends. A few people visualise that which transcends the material plane and worship God. They belong to four categories. Some turn to God only to enhance their wealth. They believe that supplication to God will bestow riches on them. The distressed, who meet with tragic circumstances and are agitated, seek solace. Others are curious and look for answers to questions. But the jnanis, the wise, excel. They see the futility of worldly pursuits and abide in the Transcendental. They are not carried away by the glitter of transitory joys. They seek permanent happiness. They reach Enlightenment.

The Spirit is hidden, unmanifest, shrouded by mayaillusion. We see the manifestations and get carried away by them. The deluded world does not know the Truth - the Unborn, the Imperishable - says Krsna. But the virtuous who have freed themselves from the enticements of the world worship the Higher with determination.

Jaya Row will speak at New Jersey, New York, Pittsburgh, Bay Area, Los Angeles, San Diego, Houston and Atlanta from 8 April to 5 May 2020. To view her lecture itinerary visit www.vedantavision.org or call+91 97691 79001

Jaya Row is one of the most powerful speakers on Vedanta, Indian philosophy.

Articulate and effective, Jaya excels at presenting the Bhagavad Gita in a way that the people of our generation can be inspired and apply its principles to achieve effortless excellence. Her clarity, wit and zeal have captivated audiences in India and abroad.

She has been touring the United States, UK, Europe and other countries for the last several years. She has spoken at prestigious organisations including the World Economic Forum, Davos, Young Presidents' Organization, Purdue University, Washington University and others.

Leading organisations like Apple, Google & Intel in California, KPMG, MasterCard & Deutsche Bank in New York, Shell in London, to name a few, have gained value from her insightful sessions.

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Nurturing Lifestyle

MESSAGES FROM MESSENGERS



PRITI K. SHROFF
Founder and
Managing Director



PARMITA SHROFF
Co-Founder - Prana Kitchen
At Prisim Healing Institute

PRISIM - THE HEALING TEMPLE

An inspiring non-fictional autobiography of a woman, who cultivates faith in the face of adversity and life's trials. It propagates self healing and highlights the indomitable human-will that looks for reassurances in the pursuit of hope. It teaches us the art of positivity and learning to observe the silver lining around dark clouds. The mundane becomes magical when we identify these messages in our day-to-day lives.



Messages, which can be in various shapes and forms. They can be a photo, idol, feather, tree, or just about anything that re-affirms your faith and connects you with nature. Messages can be teachers, provided we are open to listen and receive.

Thebook provides journal prompts that can help you to establish a relation with your intuition. Ultimately it is our intuition that helps us decode the meaning of these messages. The deck of cards that accompanies the book,is another self-guidance tool that bridges the gap between the external and internal. Often our thoughts, words and actions are misaligned, leading to inner confusion and lack of clarity.

At the end of each chapter in the book, there are self-help exercises for the reader. Thebook provides journal prompts that can help you to establish a relation with your intuition. Ultimately it is our intuition that helps us decode the meaning of these messages. The deck of cards that accompanies the book,is another self-guidance tool that bridges the gap between the external and internal. Often our thoughts, words and actions

are misaligned, leading to inner confusion and lack of clarity. Using the cards as a medium, we can tune into our inner silence and cancel the outside noise empowering us to trust ourselves. As Priti Shroff aptly says: "When I dive within my soul; I have all the answers, and all problems dissolve."

As the book unravels, each chapter highlights the importance of true surrender to the supreme Divine (present within us all). Acknowledging the existence of Divinity that governs our lives, we expand our horizons leaving our struggles for the supreme to look after. This supreme intelligence, although not restricted to a particular way of life or religion, is an all encompassing wisdom giving meaning to our collective endeavours.

The following are the 16 key take a ways or "morals within each chapter" of the book, which I feel are universal in nature and may resonate with others. Suffering may be inevitable in our lives', but healing from that pain is always an option.

1. **"What we grow into is a reflection of past impressions. If we have not been able to forgive or heal from our wounds, we carry them throughout our lives."** It is a priority to maketime for routine holistic health care (mental, physical and emotional well-being).Else, we stand the risk of building toxic relationships from dumping emotional baggage generated from breeding negative thoughts, lack of clarity, and stressed mental or emotional activity. Priti K Shroff is the director of Prisim Healing Institute; an alternative healing centre which offers wellness services for the mind, body and soul.
2. **"Even if at times, life throws you off balance, it is your loved ones who keep you firmly anchored. Family is the root that spreads into the soil and nourishes the being to the point that it grows into a healthy and happy tree."** Our association determines our progress on the path of self-healing. Relationships play a key role in understanding our strengths and weaknesses and the ability to love and be loved in return. Family is that reservoir of unconditional love, which we tap into, to gain strength and courage in the face of hardship.
3. **"Open your arms to love and guidance, it will find its way to you by connecting you to the right individuals."** By learning to trust ourselves we can open doors that lead to self-love and self-realization. Doubt can crumble faith; our strongest weapon in the face of adversities.
4. **"Adversities exist in order to bring us closer to our inner Divinity."**It is only when we are broken that light can enter, provided we acknowledge it. Setbacks, struggles and stressful situations etc, bring out our innate strength and resilience. Tragedy and suffering are the flipside of happiness and joy. Extremities in both, train us to find our centre through equanimity.
5. **"This balance of yin and yang is needed in every individual to lead a full and happy life."** We all have a masculine and feminine side, regardless of our gender. It is important to engage in activities that nurture both - the active and the passive, the ida (sun) and pingala (moon) energy within us.
6. **"The crux of true love is perseverance and grit. Though there is always the element of uncertainty at each step, you're sure to stand victorious if you're dedicated and committed to your purpose."** When our purpose is larger than our immediate needs like family and friends, it involves the welfare of society by becoming the means to an end, when we are able to tune into a deep rooted motivation and sense of passion. It is as though the floodgates of universal love are open to us.
7. **"A child innately mothers its family with its effulgence and innocence."** Everything we come across can be a messenger through which we can get deep insights from the most unexpected places, people and experiences.
8. **"It is not the number of years that you live but rather the quality of life that you bring to each moment."** Cultivating mindfulness, being present, and applying it to each moment can be life transforming.
9. **"When one door closes, it is only because another door is waiting for your arrival. Death and life are two sides of the same coin. When we are able to embrace death, only then do we learn to live each moment to the very fullest."** Living in the present moment allows us to cast away the veil of duality and experience our true selves.

10. **"When everything shatters around, one starts questioning what the true purpose of life is. If one sits in silence and dives within the intuitive space, it starts answering what one's role in the larger purpose of things is?"** The meaning of life reveals itself when we learn to disconnect from the headspace and experience from the heart. Unlike the mind, which, like a pendulum, oscillates between the past or future, it is the body that dwells in the present. Cultivating awareness of the body is the first step to the journey within. It requires dropping the logical and analytical mind by questioning "Who am I?".
11. **"Silence is a tool to dive deeper into your existential truth."** Silence can reveal deep insights and enable us to observe our mind and body without attachment.
12. **"When one is aligned to the universe, synchronicities manifest as if a reaffirmation from the One that there are no coincidences but only Divine interventions looking after us."** Messages are not confined only to appear from great souls with high frequencies but rather from just about anything that reaffirms our faith.
13. **"When you are open to receiving, the mundane becomes most magical. When you take one step towards life, life steps take ten steps towards you. Say YES to life!"** "Messages from Messengers" encourages us to keep hope ignited and look out for clues from divine messengers, who will lead us to the path of peace.
14. **"When you drop the engrained "I" sense, you allow Divinity to use you as a medium and sculpt you into a marvellous and unique soul."** There is a light within all of us referred to as Divine, which we need to explore, awaken and connect to. It heals us from within and gives us the necessary strength to move on.
15. **"Your soul attracts like-minded people who can assist you on your journey to achieve the higher goals in life. When you ask for guidance, the Divine sends help through unknown forms. Form a strong support system by surrounding yourself only with those who lift you up."** We can only rise together and combat difficult situations in unity. Being a part of a community or forming a core support group can assist us on our spiritual path.
16. **"The greatest gift that you could ever give, is your own happiness. When you are in a state of joy or appreciation, or gratitude or humility, you are connected to the stream of source energy. That is truly who you are."** Reaffirming who we are, on a daily basis helps us feel interconnected and relate empathically, with other people.



The book launch "Messages from Messengers" by Priti K Shroff, on Sunday, 9th Febuary, saw an interesting mix of audience: from financiers to bankers to corporates &homemakers, at the prestigious Bombay Stock Exchange. It was not just a book launch but also had an interesting panel discussion on 'Demystifying Realms'; a topic that fuels our curiosity. Ashish Chauhan, MD and CEO of the Bombay stock exchange was the chief guest with panellists: Kiren Shrivastav (Founder Fempowerment, Chairperson CFBP Consumer Film Festival and CEO of Molecule Communications), Mickey Mehta (Global holistic health guru and health wizard), Sohrab Ardeshir (Actor and Spiritualist practising mediumship for 20 years) and SanoberPardiwalla (Stunt woman and medium) was moderated by Parmita Shroff (Yoga teacher, sound healer and vegan chef), and supported by Kamlesh Shroff, Chairman WIRC, Association of National Exchanges Members of India.

From decoding dreams to understanding mediums, or channels through which one can gain messages, to the concept of building a relation with one's intuition; were discussed by the panellists. Other interesting concepts such as the conscious & subconscious mind, application of mindfulness, God consciousness etc; were explored. The event took on an interesting flow when Priti did an insightful card-reading session for the panellists, using a deck of cards created to accompany the book. This unique series of hand painted cards were created keeping Indian culture and traditions in mind. It is a self guidance tool, inspiring hope, which is suitable for everyone at all stages of life.



Messages from Messengers is a story of a woman, who like every ordinary person, endures both: days of happiness and sorrow. However, what sets her apart, is her childlike attitude towards life that not only makes situations easier, but also brings her closer towards Divinity. Through her story, she gently highlights the significance of developing an inner communication with one's self to lead a wholesome life with an attitude of gratitude. No matter what religious background one may come from, spirituality embraces all. Every religion points towards a Higher Power and it is when one surrenders to IT, that Divinity starts working in unknown ways to look after that individual. Spirituality is not about believing in a particular form of God but rather a journey of true self surrender.

Priti K. Shroff, Founder Director of PRISIM

She completed her major in Counseling and then went on to do her diploma in Vocational Guidance & Counseling. She started her own unique counseling center and provided a battery of DAT (Differential Aptitude Tests) for children, and provided vocational guidance and counseling for them.

After her marriage, she became a nursery teacher with Maureen Sequire. Together with being a teacher, she completed various courses in Yoga, Landmark Forum, Reiki, Art of Living, and attended various lectures and workshops of Swami Sukhbodananda, Swami Parthasarthy of Vedanta Institute, Tao Philosophy, Osho Meditations, and Vipashana Readings.

She later joined the Directorship of 'The Omniscient Securities Pvt. Ltd' Stock Broking outfit with membership of BSE, NSE & LDSL. She participated on various committees of 'The Bombay Stock Exchange', judged the competitions of Bal Maha Utsav at Prempuri Inter School Competition, and many such events.

Her spirits could not rest in peace till she finally paved her way to complete the certified courses in Atlanta, U.S.A. of Raw & Living Foods Lifestyle by Brenda Cobb, Reflexology, Feng Shui, Crystal Therapy and Massage Therapy. She evolved further by learning HydroColon Therapy, Enema, Emotional Catharsis, Fairy Reading, Magnified Healing and Advanced Raw Food Teacher.

This experience of various fields of Alternative Sciences is what she brings at PRISIM.

Parmita Shroff is a certified raw, vegan food chef from Sayuri Healing Foods, Ubud completed Level 1 and Level 2 of training in Raw Living Culinary Arts. She has successfully completed a post graduate diploma in yogic sciences from ICYHC Kaivalyadhama Mumbai. Co-founder to Prana Kitchen, serving plantbased whole foods which is located at the wellness centre Prisim Healing Institute. She has recently completed a 90+ hours training in Mysore style Ashtanga Yoga with Bharat Shetty, Indea Yoga and is a frequent Vipassana Retreat participant.

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Nurturing Lifestyle

Dr. Mickey Mehta says, "LET WELLNESS BE THE RELIGION NO. 1"

DR. MICKEY MEHTA

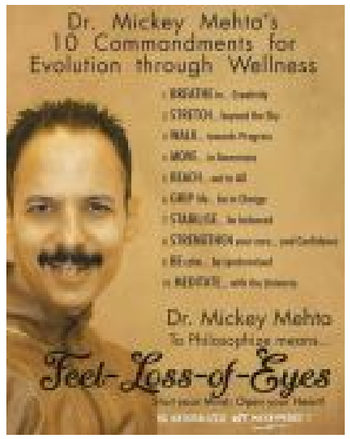
Global leading holistic health guru and corporate lifecoach

Religions divide, wellness units. Wellness makes you sound, gets you integrated, integrity comes to fore. Wellness is inclusive because of your mind, body, spirit coming together in an orchestration. In symphony with cacophony becomes a symphony sound, becomes meaningful and acrimony becomes harmony.



Broken pieces come together to establish peace when wellness becomes the religion no. 1. A devout Hindu, a devout Muslim, a devoid Christian, a Parsi, Sikh or any other person born in any other religion becomes more devout when with wellness he cleanses, he gets regulated and he gets fortified. His devotion goes up a billion-fold, his alignment with purpose comes about with wellness, self-confidence, self-esteem and self-conviction. Wellness makes you part of the collective consciousness, the intelligentia. Wellness makes you aware of the changes your body mind is going through and as you are aware you take responsibility and as you take responsibility with grace, with acceptance you take charge and as you take charge change becomes extra ordinary from ordinary.

Fitness, health, wellness and wellbeing gets you in flow, gets you in rhythm. It makes you conserve your breath and preserve your body. It establishes you into flow and synchronizes your unit rhythm with the universal rhythm because we are subjected to entropy; time, matter, space, mass, causation, effect and that wellness translates into evolution countering the forces of entropy. So the forces of evolution are cellular regeneration, psychological equilibrium, emotional bouncy, spiritual awareness and physiological orchestration, sound, biochemistry, heightened immunity, heightened state of alertness awareness.

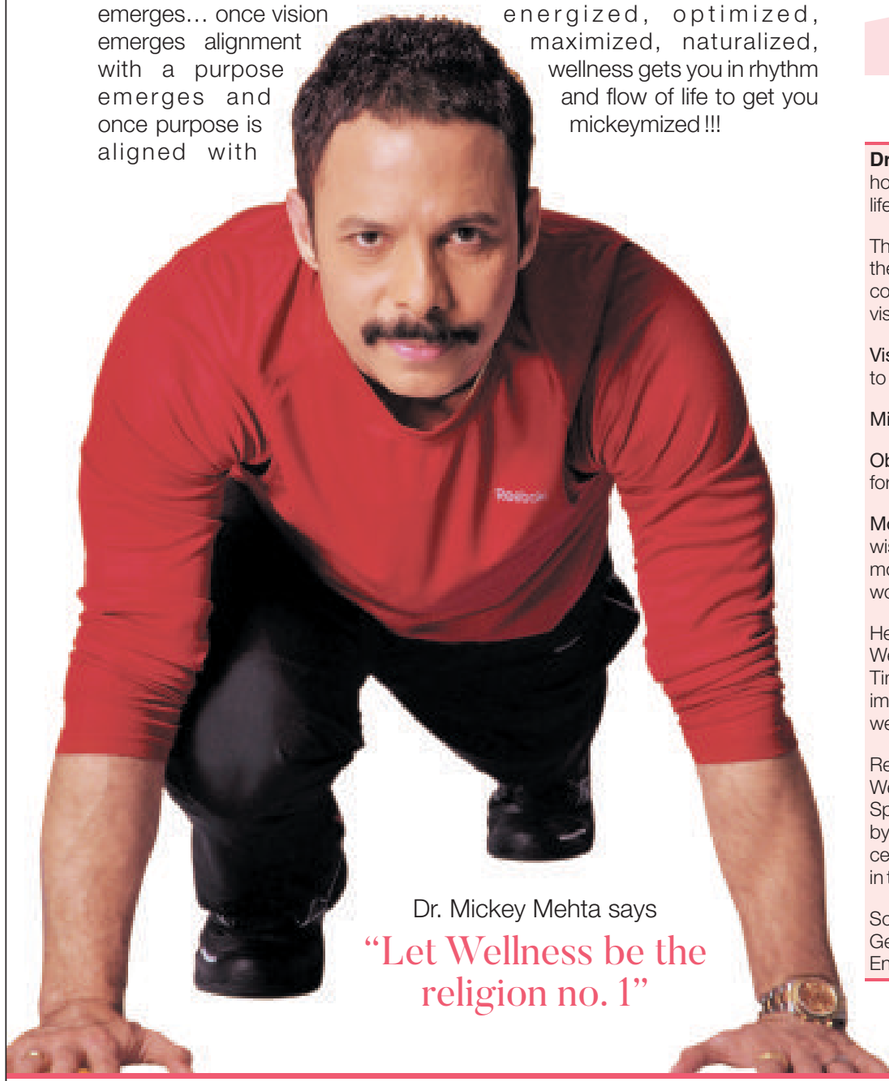


The outcome of building characters and personalities on the ladder of evolution – patience, tolerance, resilience, endurance that happens in yoga postures that happens through pranayama breathing. Further that because in the flow compassion comes to fore and philanthropy happens giving blessing forgiving happens.

With the rhythm of the heart established, all the constricted mind, foggy mind opens up and gives way to clarity. Confusion is alleviated dissolved and clarity emerges so a vision emerges... once vision emerges alignment with a purpose emerges and once purpose is aligned with creativity, productivity everything translates into building personalities and characters so fitness, health, wellness, wellbeing will translate into evolution of mankind. So wellness to be the religion no 1 is the best way forward.

So take a pledge to make wellness the religion no. 1 (Swaasth ko apna param dharam banaye) and challenge yourself to evolve into supreme Fitness and Wellness.

You become the choreographer of your change so wellness gets energized, optimized, maximized, naturalized, wellness gets you in rhythm and flow of life to get you mickeymized !!!



> Broken pieces come together to establish peace when wellness becomes the religion no. 1. A devout Hindu, a devout Muslim , a devoid Christian, a Parsi, Sikh or any other person born in any other religion becomes more devout when with wellness he cleanses, he gets regulated, he gets fortified.

Dr. Mickey Mehta - global leading holistic health guru and corporate lifecoach.

The Author, the Philosopher, the poet, the Institution, the brand, the dream life coach ...presenting to you the legendary visionary Mickey Mehta.

Vision: Connecting with 7 billion hearts to make wellness the religion no. 1

Mission: To have a disease free world

Objective: Start a wellness revolution for human evolution.

Motto: He says sleep every night with a wish to heal yourself and wake up every morning with a promise to heal the world.

He has been awarded as Health and Wellness Icon of India by Economic Times and is one of the Worlds Top 100 impactful Wellness leaders at the world wellness Congress.

Recently he has also been awarded the Wellness Pioneer Award at The Global Spa - the Fit & Fab Show and awarded by the Rotary Club of India in its centenary year for highest contributions in the world of Health & Wellness.

So ladies and gentlemen be ready to Get Maximized, Get Naturalized, Get Energized, Get Mickeymized!

Nurturing Lifestyle



HINDUTAVA AND HINDUISM THE YOGIC PARADIGM

Dr.Vikramaditya Narayan

YOGA PSYCHOANALYST

In the crux of Yogic lifestyle thereelaborating certain yogic principles Prime Minister Narendra Modi also said the NDA government's determination and decisiveness led to resolution of decades-old problems like Ram Janmabhoomi issue, Article 370 and Triple Talaq.

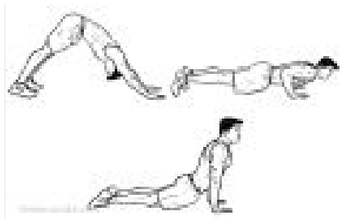
The PM said the country has seen his government's work between 2014 and 2019 and gave a bigger mandate in 2019.

"Had we continued with the same path of yours, Article 370 would not have been abrogated, Triple Talaq would not have gone," PM Modi told the opposition.

"If we worked as per the old ways, Ram Janmabhoomi issue would have remained unsolved. Kartarpur Sahib corridor would not be a reality. There would be no India-Bangladesh land agreement," he said.

The verbatim was given on a jibe at him by an opponent political party of him being ready to get the heat of the youth by 'Danda' (STICK), when the Prime Minister reiterated that "I have decided that I will increase my frequency of 'Surya Namaskar' so that my back becomes so strong that it can bear the hit of so many sticks."

The new age Yogic addition by PM of "DANDBAITHAK" in Surya Namaskar synchronization, thus we all in Yoga Psychology can term it as "DANDSURYASANA".



Hindutava ideology, is based on three Hs, "Hindi, Hindu, Hindustan," and-its members had to share a common language, common religion and a common origin. Religiously, it has come to extent of alienating other religions from the mainstream by oppressing, demonizing the other and denying the right of existence through the tactics of stigmatizing, demolition and destruction of the worship place and many other unprecedented demonstrations. Politically, it has come to the level of capturing power in the central government; and culturally, it is isolating the minorities as outsiders who do not share the Hindu culture and hence, they are considered as aliens and they have no right to live in India.

Development of Hindutva Ideology during Nineteenth Century Hindutva is political shaped by Hindu fundamentalists. The rise of Hindutva ideology and its implementation has sparked off clashes in the whole country with an anti-western, dogmatic, and sometimes-violent cultural and religious assertions. It is in the sense of a highly structured belief system involving the interpretation of the past, an analysis of the present, and a set of precepts and imperatives for future conduct.

Three persons developed the ideology of Hindutva in three different periods.

Vinayak Diamodar Savarkar (1883-1966) V D Savarkar was born in 1883 into a Brahmin family at Nasik in Maharashtra. He penned his most famous work entitled 'Hindutva: Who is a Hindu?' published in 1923. It is recognized associal and political doctrine of Hindutva.

Hindutavaideology, isbased on three Hs, Hindi, Hindu, Hindustan, and-its members had to share a common language, common religion and a common origin. Religiously, it has come to extent of alienating other religions from the mainstream by oppressing, demonizing the other and denying the right of existence through the tactics of stigmatizing, demolition and destruction of the worship place and many other unprecedented demonstrations.

Keshav BaliramHedgewar (1890-1940) Much like Savarkar, Hedgewar's remedy also focuses on reawaking Hindutva in Hindus. To this end he made his contribution: he sought to regenerate Hindu society by founding of Rashtriya Swayamsevak Sangh (RSS), in 1925. Through the RSS, he provided the Hindu nationalist movement with a 'Hybrid' institutional structure. It combines features such as militant and ascetic sects of medieval and early modern India with the European forms of disciplines, drill and corporate spirit.

He developed the RSS by attracting recruits mainly from his Maharasthrian middle class Brahmin background who readily identified with the RSS belief and practices.

Madhav Sadhashiv Golwalkar (1906-1973) From 1940 to 1973 Golwalkar was the head of the RSS. His philosophy, thinking and guidance helped the RSS to blossom into the well-knit national organization that it is today. Golwalkar spelt out the RSS goal thus:

"Our supreme goal is to bring to life the all round glory and greatness of our Hindu RashtraBharatvarsh". They differentiate the religious communities in India as insiders and outsiders.

The Ideologies and Activities of Hindutva



Babri Majid Ram temple

- The importance of celebrating Ganesh festival
- The pushing of Sanskrit language and using Hindi all over India
- Change of teachers' day to Guru Utsav
- The confusion over the term Hindu and Indian
- The importance to Ganga
- The push over the practice of yoga and value education
- The practice of cow protection
- The change of Christmas as 'Good Governance Day'
- The role of RSS in BJP and the sowing of Nationalistic spirit
- To stop attack on modern India by radical elements
- Dress code ofWomen
- Valentine's day misconception
- The undermining of atrocities on Dalits and minorities
- The Impact of Hindutva in the Indian society 5.1 The growth of communalism and fundamentalism
- Caste system Threat to minorities
- Methodological Issues
- Commitment to the Humanistic Nationalism and Nation
- Establishing a Just Society
- Getting Into the Politics Answer to Violence
- Having an Inter Faith Dialogue
- Using of Proper Terms like Conversion
- Maintaining Indian Identity

HINDUISM

Hinduism is the world's oldest religion, according to many scholars, with roots and customs dating back more than 4,000 years. Today, with about 900 million followers, Hinduism is the third-largest religion behind Christianity and Islam. Roughly 95 percent of the world's Hindus live in India. Because the religion has no specific founder, it's difficult to trace its origins and history. Hinduism is unique in that it's not a single religion but a compilation of many traditions and philosophies.

Beliefs

Some basic Hindu concepts include:

Hinduism embraces many religious ideas. For this reason, it's sometimes referred to as a "way of life" or a "family of religions," as opposed to a single, organized religion.

Most forms of Hinduism are henotheistic, which means they worship a single deity, known as "Brahman," but still recognize other gods and goddesses. Followers believe there are multiple paths to reaching their god.

Hindus believe in the doctrines of samsara (the continuous cycle of life, death, and reincarnation) and

karma (the universal law of cause and effect).

One of the key thoughts of Hinduism is “atman,” or the belief in soul. This philosophy holds that living creatures have a soul, and they’re all part of the supreme soul. The goal is to achieve “moksha,” or salvation, which ends the cycle of rebirths to become part of the absolute soul.

One fundamental principle of the religion is the idea that people’s actions and thoughts directly determine their current life and future lives.

Hindus strive to achieve dharma, which is a code of living that emphasizes good conduct and morality.

Hindus revere all living creatures and consider the cow a sacred animal.

Food is an important part of life for Hindus. Most don’t eat beef or pork, and many are vegetarians.
Hinduism is closely related to other Indian religions, including Buddhism, Sikhism and Jainism.

There are two primary symbols associated with Hinduism, the om and the swastika. The word swastika means "good fortune" or "being happy" in Sanskrit, and the symbol represents good luck. (A diagonal version of the swastika later became associated with Germany’s Nazi Party when they made it their symbol in 1920.)

The om symbol is composed of three Sanskrit letters and represents three sounds (a, u and m), which when combined are considered a sacred sound. The om symbol is often found at family shrines and in Hindu temples.

Hinduism Holy Books

Hindus value many sacred writings as opposed to one holy book.

The primary sacred texts, known as the Vedas, were composed around 1500 B.C. This collection of verses and hymns was written in Sanskrit and contains revelations received by ancient saints and sages.

The Vedas are made up of:

- The Rig Veda
- The Samaveda
- Yajurveda
- Atharvaveda

Hindus believe that the Vedas transcend all time and don’t have a beginning or an end.
The Upanishads, the Bhagavad Gita, 18 Puranas, Ramayana and Mahabharata are considered important practice in Hinduism.

Sects of Hinduism

Hinduism has many sects, and is sometimes divided into the following:

- Shaivism (followers of Shiva)
- Vaishnava (followers of Vishnu)
- Shaktism (followers of Devi)
- Smarta (followers of Brahman and all major deities)

Some Hindus elevate the Hindu trinity, which consists of Brahma, Vishnu and Shiva. Others believe that all the deities are a manifestation of one.

Hindus observe numerous sacred days, holidays and festivals.
Some of the most well-known include:

- Diwali: the festival of lights
- Navaratri: a celebration of fertility and harvest
- Holi: a spring festival
- Krishna Janmashtami: a tribute to Krishna’s birthday
- Raksha Bandhan: a celebration of the bond between brother and sister
- Maha Shivaratri: the great festival of Shiva.

Yoga is Hindu, but "Hinduism" is a problematic term, coined by outsiders for everything they saw going on in India. Yoga stems from the Vedas - the Indian holy texts that were composed from around 1900BC. Besides yoga, three major religions came from those texts - Hinduism, Jainism and Buddhism. Essentially, however, current practice involves four primary types of yoga: karma, bhakti, jnana, and raja.

Yoga methods concentrate on calming the mind and focusing on the Self. Yoga is an integral part of the Hindu tradition, and dates back to the earliest? Veda's , the holy books of the Hindu religion which date back to 2500 BC.

Hinduism contains within it six major schools of thought, or darshanas: Samkhya, Yoga, Nyaya, Vaisheshika, Mimamsa, and Vedanta. The underlying thread between these six darshanas is the acceptance of the Vedas as realized scripture containing the highest Truths. Thus, Hindu philosophy is often described as Vedic or the Vedic tradition. Hindus commonly refer to Hinduism as Sanatana Dharma, or the Eternal Truth. OmTatSat.

Dr. Vikramaditya Narayan is a Politician and for the last 9 years in Bharatiya Janta Party, he is working with the Govt Schemes of our Hon’ble Prime Minister within his party to reach the same to the people. He has been successfully reached the policy implementation through Govt initiatives such as PMKNY, PMAY, Mudra Yojna and Digital India. He is now an Adviser at Bombay Stock Exchange forum and is Technical Board Director in International Certification QMS.

Prior to this he served the Party in various elections and was part of the NaMo team in 2013/14 general elections, at Mathura, Bagpath, Agra and Mumbai-west Lok Sabha.

Professional career: he lead various industry majorly in Media & Entertainment sector for 21+ years in strategic brand management, Advertising & Marketing, he demonstrated initiative, creativity and success. Proactive, multilingual leader/manager with experience in multi-cultural global environments.

Specialties: After completing studies Masters in English Literature, MBA he did his PhD in Yoga Psychology. Mentored SwanYoga FOR Corporate optimising the human assets within corporations ,the workshops address the engagement so they Feel Good: Think Good: Lead Good, ranging from business creativity to yoga and meditation.



Nurturing Lifestyle

COUNSELLING: MYTHS VS. FACTS

ZARA SHEIKH
Counsellor

When it comes to your physical health, we wouldn’t think twice to see a doctor. But what about your psychological state and emotional wellbeing? Many people feel nervous, embarrassed or maybe ashamed about seeing a counsellor. Why?

The World Health Organization defines health as “a state of complete physical, mental, and social well-being.” Counsellors can help you maintain or gain your own sense of health.

Well, not only is there a stigma attached to admitting that you simply may need help taking care of your psychological state, there’s also tons of mis-information out there about the kinds of people who seek counselling, and what a counsellor does and doesn’t do. Here are 14 myths that we are going to lay to rest right now.

Many people are afraid to seek counselling, even though they could benefit from it. Some common misconceptions perpetuate the myth that counselling is scary. However, the following facts will explicate that counselling is for everyone and counsellors are here to help.

MYTH: You have got to have a mental disease to go for Counselling.
FACT: It's true that some people having severe mental illnesses work with counsellors to manage symptoms, but counsellors also help people run through everyday problems like relationship issues, sadness, grief, financial stress, parenting, breakups, wellness goals, work-life balance, career transitions, etc.

MYTH: People will assume there is something wrong with you if you seek Counselling.
FACT: It takes courage to call a counsellor. I help people work through many life circumstances and welcome all clients- all ages- even children. Counsellors hold a non-judgmental space during which clients are encouraged to be open and honest about their situations in order that counsellors can gain a full understanding of what's happening and the way they can best help.

MYTH: Men aren't emotional and cannot be assisted through Counselling.
FACT: Both men and women can benefit from counselling. While it's true that women seek counselling more often than men, the number of men seeking counselling services has increased significantly over the last 10 years, suggesting that men are getting more receptive towards counselling.

MYTH: Seeking Counselling may be a sign of weakness.
FACT: Seeking counselling assists you to proactively manage your problems. If you have problems that weaken your ability to function day to day, a counsellor can teach you skills to handle tough times.

Additionally, some people seek counselling services to enhance their already great lives. Counselling can help people develop skills which will help them excel in specific areas like sports, business, leadership and even studies.

MYTH: Counsellors will attempt to put you on medication.
FACT: Counsellors work with clients to deal with the psychological aspects of mental health. They provide appropriate techniques along with safe alternative healing therapies to their clients. Here at 'Zara The Counsellor', medication is a big **no-no.**

MYTH: Mental health issues aren't real problems and counsellors are not doctors.
FACT: Mental health issues **are** real problems and one in every seven Indian suffers from mental health problems. This number is on the significant rise amidst the younger generations. Counsellors are trained to an advanced level in their field and along with counselling, offer various other holistic healing modalities as well as therapies to help their clients **heal.** Counsellors can detect the origin of each such problem and help clients find relief from issues that are weighing them down.

MYTH: Counselling is an instant fix for all of your problems.
FACT: There is no instant fix when it comes to mental health. Strengthening your mind through counselling is like strengthening your body through exercise. It takes time, practice, patience, and persistence. everyone who enters counselling may be a unique individual, so there's no universal formula to work out how long it'll be before a client feels better. Therefore, here we make sure to add healing modalities and therapies that almost guarantee an individual's progress within the initial 2-3 sessions. Making a commitment to yourself to enter counselling mighthelp you study yourself and your worldviews. Additionally, you'll learn ways to enhance your decision-making process, which may result in more uplifting feelings on a daily basis. Counselling is an investment in yourself.

Many people are afraid to seek counselling, even though they could benefit from it. Some common misconceptions perpetuate the myth that counselling is scary. However, the following facts will demonstrate that counselling is for everyone and counsellors are here to help.

MYTH: Everyone will judge you negatively if you go to a Counsellor.
FACT: Going into counselling shows that you simply are willing to find out about yourself and ways to enhance your life. It takes strength to call a counsellor and take an appointment. We do not judge our clients - and are more than happyto welcome all. Please know that counsellors have heard tons of life stories, and that they hold all with confidentiality and respect. Counsellors want to decrease the stigma associated with seeking counselling and to make a world where seeking counselling is as common as seeking relief from the cold or stomach flu.

MYTH: Counselling never works.
FACT: Counselling, like many other sorts of helping (medicine, personal training, etc) can help people to a greater or lesser extent conditionalto many factors - other sources of support, emotional readiness to vary, clarity and practicality of goals, etc.

MYTH: Counselling should take a long time.
FACT: Some problems are bigger, some are smaller. Some people want to deal with all their issues, some people just want a small improvement in their lives. Sometimes further issues emerge as therapy develops. The truth is that every client is unique, and the duration of your wellbeing solely depends on your adaptability towards the new and willingness towards letting go of the old.

MYTH: Clients always become over-dependent on their Counsellors.
FACT: This remains a risk just like any situation where a person helps another who is vulnerable. A well-trained therapist will be able to handle it sensitively. We are always available for help and guidance, however- I make it a point to equip my clients with enough tools to help them overcome any situation that they come across in life.

MYTH: It's easier to speak to friends and family about my problems.
FACT: There's a standard belief that seeking the support of your friends and family is nearly as good as undergoing professional counselling. But while having the ability to share your problems together with your friends and family is clearly helpful, it's very different from the connection with a trained counsellor who has specialist skills in diagnosing and treating a variety of cognitive, behavioural and emotional issues. Additionally, counselling is entirely private and confidential, meaning you don't need to take the emotions of your loved ones under consideration once you speak.

MYTH: Counselling is almost endless; it's like writing a blank cheque.



FACT: Many of us mistakenly believe that if you attend counselling, you're committing to endless sessions which will, over time, would end up being exuberant. However, modern counselling is outcome focused and affordable. The goal of counselling is to assist people to manage their individual challenges. Most patients will get there with effective short-term counselling, while others may have several months for more intensive support.

MYTH: I attempted it once and it didn't work, so counselling isn't for me.
FACT: Simply because you have had one bad experience with counselling, doesn't mean the treatment isn't for you. If you're not pleased with one counsellor, get a second opinion elsewhere. Each counsellor is different and it's important to seek out one that you simply can build a positive rapport with. In fact, the 'therapeutic alliance' is at the core of each successful counselling treatment. Trust, respect and dealing towards a standard goal together is perhaps one among the foremost reliable indicators of positive counselling outcomes.

Zara is a professionally qualified counsellor, with a Degree in Psychology, an accredited member of The National Counselling Society and a professional member of the International Association for Counselling. She has also undertaken further specialist training in Certified Clinical Hypnotherapy with EKAA, and is a certified Neuro Linguistic Practitioner from ANLP (India). Zara holds a diploma in Sports Psychology and has worked with several athletes. She is also a 'Mindfulness' certified trainer and holds special qualifications to work with children.

She comes from a background of working in education, which is where she first came to recognise the power of positive mental health and well-being; and its impact on our ability to live well and engage in healthy relationships. Her personal philosophy is that everyone is a unique, dynamic human being.

She works with adults, teenagers and children in her private practice; with experience of supporting clients with a wide range of issues and challenges.

All counselling is tailored to individual need, providing personalised support through a warm and engaging therapeutic relationship. When working with children she uses a child centred approach based around attachment theory, incorporating the language of play, art and creativity to support the counselling process.

Along with working within her own private practice 'Zara The Counsellor', she offers seminars at work places and educational institutes.



Nurturing Lifestyle

A COMPLETE BODY-BEAUTY-MIND NURTURE

Lifestyle Nutritionist & Holistic Health Coach

DR. NEOMEE SHAH

DR. NEOMEE SHAH'S
FOREVER WELLNESS

What are the nutrients necessary for good health and what is the role of a Nutritionist?

With the rise of eating out becoming a form of entertainment, a slew of new restaurants and fast food joints are commonplace. Hence, it has become essential for us to have some basic know-how about nutrition. It is sad but true that restaurants are a money-making business and have little or no regard for the nutritional content of the food they prepare. They can go to any extent to ensure great taste in order to profit more. So we mindlessly consume unhealthy food to satisfy our taste buds but it is extremely harmful for our body. They are devoid of major nutrients or the body essentials.

Essential Nutrients are necessary for the body to function properly. This is because the body cannot synthesize an Essential Nutrient by itself and hence, must derive it from its diet. There are 6 major nutrients essential for the body.

1) **Carbohydrates -** These are the primary source of fuel for our bodies. They are essential for brain function, hormonal balance and mood stability, fat loss & metabolism. They provide energy for working out and are excellent colon cleansers. Yet, what is to be considered is that there are good carbs and there are bad carbs. Bad carbs present in white bread, white processed rice, baked goods, white sugar, soda, candy, cakes etc must be avoided. Complex carbs like whole grains, vegetables, legumes, beans, lentils, fruits, unprocessed rice should be included.

2) **Proteins -** Not for nothing are they called the 'building blocks' of the body. The strength in our body, the quality of our skin, hair, nails, muscle production, tissue repair, immunity levels, tissue repair is all dependent on Proteins. Protein is made from chains of 23 Amino Acids- 14 of which are produced by the body but the remaining 9 have to be provided by one's diet. Hence, they are called essential Amino Acids. The recommended dosage is 0.8- 1gms per kilo of your actual body weight.

A good nutritionist aims to educate you on healthy eating habits because they have your best interests at heart for the long run. They guide you on balancing the myriad demands of urban life right from entertaining right to tips on healthy but yummy recipes, from meal plans during extensive travel to tricks to control emotional binges.

Plant based sources- almonds, chia seeds, pumpkin seeds, peas, brown rice, sesame seeds, sunflower seeds, chickpeas, beans, legumes, lentils etc

Animal based sources- chicken, eggs, milk, pork, fish, yogurt, dairy, lean meats, tuna, salmon, turkey etc.

3) **Fats -** Fats get a bad rap from most as they are blamed for weight gain. But, as a crucial nutrient, we need it in our diet. Fats help absorb Vitamin A, D, E, K, some nutrients & produce important hormones. It is crucial to consume only the good fats and stay away from the bad fats.

Good fats - These can be mono-unsaturated, polyunsaturated and saturated fats coming from olives, peanuts, avocado, nuts like almonds, hazelnuts, pecans, seeds like sunflowers and sesame, oils of flaxseed, coconuts and walnut, fatty fish and A2 cow milk ghee.

These good fats boost the absorption of skin friendly antioxidants and fat soluble vitamins. They also strengthen cell membranes making one's skin supple.

- Good fats help you burn already existing stubborn fat & helps in reducing abdominal fat too
- Helps you stay fuller for longer

But Bad Fats ie. Trans Fats need to be avoided. This is the worst type of fat because it is not found naturally in nature. In fact, it is manufactured in industries through a chemical process of hydrogenation of oils. They are processed, artificial and hazardous to health. These are found in cakes, pies, cookies, biscuits, margarine, microwave popcorn/ meals, cream filled candy, all baked goods, deep fried food, cheap fast food and anything that has a shelf life.



4) **Vitamins -** Vitamins are extremely important for conversion of food into energy. They help your body grow & function optimally. They boost metabolism, immunity and digestion. There are 13 essential vitamins- A, C, D, E, K & 8 B-Complex vitamins.

A diet rich in a variety of fresh and seasonal fruits and vegetables, dairy, whole grains, fish, lentils helps your body derive all the vitamins you need!

5) **Minerals & Electrolytes -** These help to maintain fluid balance in the body. They manage functions of our cells & organs as well as regulate the body's PH balance.

Sources- Brazil Nuts, cashews, cheese, eggs, milk, onions, garlic, green veggies, wholegrains.

6) **Water -** We're all aware that an adult human body is approximately 72% water. It is also the carrier of nutrients and other materials such as blood cells around the body. We need water to survive. Hence, it is intelligent to keep the body hydrated at all times.

A balanced diet comprising of all the essential nutrients is the key to good health. You can modify the portion size depending on your health goals but it's the combination of foods which gives you complete nutrition.

The Role of A Nutritionist in Your Life

The primary role of a nutritionist is to ensure a balanced and healthy plan is crafted keeping the client's requirements and health parameters in mind. Today, society is more aware and discerning in its health choices. Yet, never before has society deteriorated to the current state in its treatment of food as entertainment. Due to this attitude, there is rampant availability of unhealthy food from fast food options to apps that deliver them to your doorstep. Therefore, today, more than ever, a nutritionist has become essential to living a good life.

A good nutritionist aims to educate you on healthy eating habits because they have your best interests at heart for the long run. They guide you on balancing the myriad demands of urban life right from entertaining right to tips on healthy but yummy recipes, from meal plans during extensive travel to tricks to control emotional binges. A good nutritionist is as essential as a financial planner today. After all, the wisest know that health is the greatest wealth!



Dr. Neomee Shah, as a lifestyle Nutritionist & a Holistic Health Coach, she accentuates on well balanced meals & some special foods like dark leafy vegetables, carrots, apples, banana, berries, A2 cow milk ghee, brazil nuts, Almonds, pumpkin seeds, chia seeds, fatty fish, eggs, turmeric and herbs like brahmi, ashwagandha, bhringaraj to beat oxidative stress, boost the mind while energising the body.

She encourages people to inculcate positive lifestyle changes and teaches them the fine art of eating. Here she creates awareness about the Incompatible food combinations which can be highly hazardous to health, helps them to choose their favourite foods wisely as per their goals and thus she helps them beat their cravings, refrain from stress eating, emotional eating or binging on sugar laden foods, artificial & junk foods. She says that just with the appropriate knowhow on food culture, one can make correct choices while being innovative in food preparations for satisfying their taste buds and savour highly nutritious meals.

She is also a Naturopath, Bach Flower Practitioner, NLP & Mental Health Expert and a Holistic Health Coach. Combining all of her expertise from various fields of knowledge, she has created her own Integrated Method of treatment where she keeps Ayurveda as a base and then she creates all modern day diet plans for her clients while taking into consideration her client's health issues, habits, compulsions and addictions along with their work pressures & stress levels. And then a customised Diet and Nutrition plan is prepared to meet the requirements of the client.

Her Holistic Approach of treating an Individual as a whole is what sets her apart. She is a weight loss & health gain expert who has transformed the lives of many with her adroitness.

She who is Mrs. India Exquisite 2016 herself has worked as an Official Nutritionist with the Miss India Organisation for various pageants like Campus Princess, Miss Diva, Miss Universe India.

For her outstanding contribution to healthcare and wellness, she has been conferred upon with many prestigious awards like The Most Preferred Nutritionist Award in 2018 by the Times Group, The Emotional Fitness Expert and Holistic Health Coach 2017 by the Times Group, India Today's Excellence In Health Care Award for Lifestyle Nutritionist and Holistic Health Coach 2019 , All India Achievers Award for best Nutritionist 2016 and Awarded as The Top 100 Coaching Leaders of the World by the World HRD Congress.



Nurturing Lifestyle



Wellness
BUILD A STRONG BACK

Managing Director

NAMITA JAIN

KISHCO LIMITED

"Ouch - my back hurts!" is a common complaint.

Back pain is not usually due to a single cause, but the result of a build-up of factors accumulating over time.

The back should be strong and supple, as it sustains the weight of the entire upper body and has to absorb the force and shock of movements.

Back basics

The spine is the central axis of the body and combines with the joints and muscles to make a supportive frame for the trunk to maintain an upright posture. It is made up of 33 small bones called vertebrae with discs that act as shock absorbers in-between. Wear and tear of the back's supportive structures cause back pain, strain and injury.

- Back problems often result from an imbalance between tissues (muscles, ligaments and tendons) surrounding the spine or incorrect spine alignment due to bad posture.
- Ideal posture is when the spinal column is in a neutral position, forming a gentle sloping "S"-shape.

Why the back aches

Our lifestyles often give rise to poor posture, rounded shoulders, and a hollow back. If the natural curves of the spine are overly arched or flattened for long periods of time, the spine gets stiff and weak.

Sitting all day in the office at the desk, traveling long distances on work, going back home and spending evenings sprawled on the sofa, excess weight, sedentary living; are all factors responsible for back aches.

Back problems often result from an imbalance between tissues (muscles, ligaments and tendons) surrounding the spine or incorrect spine alignment due to bad posture.

Maintain good posture

The spine should be in a neutral position; shoulders should be level, the chest open and the chin parallel to the floor. If you are standing - the knees, the pelvis and the spine should be correctly aligned.

Always check your posture when you sit, stand and walk. Poor posture leads to muscular strain and is a common cause of back problems.

Maintain good posture
The spine should be in a neutral position; shoulders should be level, the chest open and the chin parallel to the floor. If you are standing - the knees, the pelvis and the spine should be correctly aligned.

Always check your posture when you sit, stand and walk. Poor posture leads to muscular strain and is a common cause of back problems.

Importance of correct footwear
Wearing the appropriate footwear can significantly reduce the risk of injury on the joints and also the strain on the back.

High-heeled shoes if worn regularly can strain the spine because the body weight is shifted to the toes and not evenly distributed on the feet.

Shoes that contain proper arch support can help take the pressure off tired feet and add to increased overall shock absorption. Lack of shock absorption increases the impact on the joints and places additional strain on the spine.

Exercise regularly
If the back is to be strong and healthy, it is important to keep it moving and properly aligned at all times. Regular exercise and correct posture keep the muscles of the back strong and stress-free so that it can easily handle everyday demands.

A complete back-friendly routine includes three components: aerobic fitness, strength and flexibility.

1. **Aerobic fitness**
   Aerobic exercise nourishes the back by increasing blood flow to the delicate discs that function as shock absorbers within the spine. However, if you are already dealing with an aching back, choose low-impact activities that place less stress on the spine, such as swimming and walking.

2. **Strength**
   Proper back support depends on muscles of the abdominal region, legs, buttocks and also the extensor muscles of the lower back. It is essential to target these muscles and plan a strength training routine incorporating these areas of the body.

3. **Flexibility**
   Flexible muscles are better able to handle the day-to-day demands placed on them than stiff, tight muscles. Yoga, Pilates and the Swiss ball are excellent ways to improve flexibility and reduce stress of the spine.

Yoga and your back
Yoga asanas work on flexing and extending different parts of the spine and regaining the range of movements available to the spinal column.



Namita Jain (Award for Best brand for premium cutlery and tableware | Kishco Ltd.)

At Sofitel , Mumbai | Awarded by: Economic Times for the year 2019-2020

- Benefits accumulate with regular practice. Do these simple postures daily.

Bhujangasana (Cobra pose)
Lie in a prone position with arms resting by the side. Bend the elbows and place palms below the shoulders. Raise arms, back, chest and neck of the floor.

Hold for 30 seconds.

Salabhasana (locust pose)
Lie in a prone position with face down. Simultaneously, raise the head, chest, arms and legs off the floor. Hold for 30 seconds.

Adho mukha svasana (Downward-facing dog pose)
Place hands below the shoulders and come up into a kneeling position.

Raise the hips up in a straight line and push the heels down on the floor. Relax the neck and lengthen the back. Hold for 30 seconds.

Pavanmuktasana (knees to chest pose)
Lie in a supine position with face up. Bend the knees, bringing them to the chest. Clasp the hands over the knees and use them to compress the knees closer to the chest. Hold for 30 seconds.

Balasana (Child pose)
Sit on the heels. Slowly bend forward, resting the forehead on the floor. Place the arms beside the body. Relax all muscles. Hold for 60 seconds.

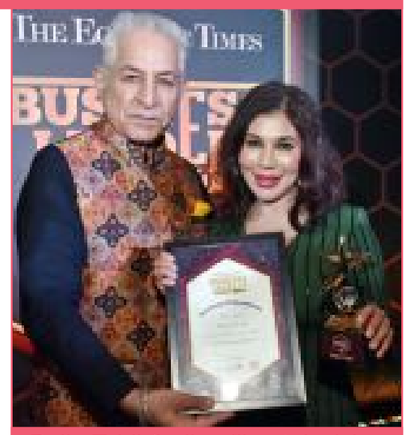
A word of caution: Always check with your physician for specific guidelines based on your medical history and current health status before undertaking any form of physical exercise.

10-Tips to save your back
- Maintain good posture. Sit and stand tall and keep your spine erect, but relaxed.
- Avoid sitting for long periods. Take frequent breaks to move and stretch your muscles.
- Sit on a chair that supports your lower back. The height of the seat should allow your feet to rest flat on the floor.
- The screen of the computer should be at eye level so that the spine and neck are not strained.
- Wear comfortable footwear with good arch supports. High heels cause the back to arch excessively.
- Exercise regularly and maintain a healthy weight. Perform flexibility exercises for the back daily to keep the spine strong and supple.
- Sleeping on your back may be the best way to sleep to prevent back pain. If you sleep on your side, place a pillow between your legs. Sleeping on the stomach, can stress the back.
- Lifting puts more stress on the back than any other activity.
  When lifting heavy objects, bend at the knees, keep your back straight and keeping the object close to your body.
- Quit smoking. Smoking increases your sensitivity to pain and interferes with blood circulation. It also reduces the flow of nutrients to the muscles and joints, making the back weaker.
- Get regular health checkups. Regular checkups by a doctor or physical therapist can help to evaluate and treat back pain.

The Economic Times Business Leaders 2019 Awards



With Kabir Bedi
(Indian film actor)



Dalip Tahil (Indian film, television and theatre actor)

Namita Jain, MD Kishco Ltd. has been actively involved in the wellness space for over 25 years. She is qualified from the American College of Sports Medicine, the American Council of Exercise, the Aerobic and Fitness Association of America, the Reebok and the Pilates UK institute. She has authored over 10 best-selling health and wellness books.

In the field of rehabilitation, she offers consultations at Bombay Hospital. This column addresses concerns faced by many and her insights for facing the challenge. Learn the powers and perils of lifestyle changes through this Q &A column.



Nurturing Lifestyle

EXERCISE AND FITNESS FOR BEGINNERS AND HOW TO STAY FIT

Celebrity Fitness Trainer

YASMIN KARACHIWALA

YASMIN'S BODY IMAGE PVT. LTD.

If losing pounds is as easy as journaling about what you put in your mouth, can you use the same technique to help you stick to a fitness routine? In the realm of fitness, three-month programs dominate the landscape. You've even seen plenty of them in this magazine over the years. Are they effective? Absolutely. It doesn't necessarily take 8 or 12 weeks to get your feet wet in the gym. Not that you'll be a seasoned vet after four weeks, but if you can just get that first month under your belt, you'll get yourself over the proverbial hump where so many fail and give up, and set the stage for a lifetime of gains.

A total body workout routine is a great way to stay fit, healthy, and energetic. Rather than focus on the same muscle group every time you hit the gym, it's important to concentrate on your body as a whole. Planning a total body workout routine can help you tone and tighten your entire body -- from shoulders to calves -- leaving you with a complete feeling of satisfaction and balance.

Firstly, change your perspective. Shift your thinking from couch potato mentality to thinking like an athlete. This may sound like a big challenge, but it's not as big a leap as you think. Set a goal. There's nothing more motivating - sometimes even scary - than that first 5K looming in bold letters on the calendar. Schedule a regular workout time. Some of the most committed exercisers do it every day before the sun comes up or late at night when the kids are in bed. Sit down with your weekly schedule and try to build in an hour each day to be good to your body. Think fun and variety By nature, humans need change and variety to stay motivated. We also need to have fun - even while we're working hard. Do both!

A total body workout routine is a great way to stay fit, healthy, and energetic. Rather than focus on the same muscle group every time you hit the gym, it's important to concentrate on your body as a whole.

Monday	run for 5 minutes	30 sit ups	10 push ups	10 leg ups on each side	30 jumping jacks
Tuesday	run for 5 minutes	20 crunches	15 push ups	20 leg ups on each side	30 jumping jacks
Wednesday	run for 5 minutes	10 sit ups and 10 crunches	20 push ups	15 leg ups on each side	30 jumping jacks
Thursday	run for 5 minutes	20 crunches	15 push ups	20 leg ups on each side	30 jumping jacks
Friday	run for 5 minutes	20 sit ups	15 push ups	15 leg ups on each side	30 jumping jacks
Saturday	run for 5 minutes	20 sit ups and 10 crunches	10 push ups	20 leg ups on each side	30 jumping jacks

Although bus and train travel is popular, making a journey on a bus, coach or train that offers limited opportunities to move around is not a great recipe for a relaxing travel experience. Even an hour in a cramped seat can leave you feeling uncomfortable and - more often than not - tired, dehydrated, stiff and sore. The key is to be as active as possible. You should try to get up and walk around whenever you can (ideally, about every 10 minutes) - but you can also do some exercise in your seat. Try the following routine every half an hour to maintain mobility:

- Alternate between clenching and relaxing your feet and toes.
- Contract and relax all your leg muscles.
- Make a 'pedaling' movement with your legs.
- Stretch your legs, arms and hands.
- Take some deep breaths.
- Gently stretch and rotate your neck.

WHY YOU SHOULD DO PILATES

What do Gwyneth Paltrow, Madonna and professional basketball players have in common? They all do Pilates. Runner or golfer, tennis player or new mom, chances are you've heard someone talking about the benefits of Pilates. Developed by Joseph Pilates, this form of exercise is designed to develop the body's core, mobilize the spine and build flexibility.

Pilate's enthusiasts are enjoying workout at home. Enjoying Pilates at home allows the ultimate flexibility - no scheduled classes to get to on time. You'll need a healthy dose of self-discipline, though, to regularly carve out time for yourself for the recommended three sessions a week. Pilates is a fantastic way to sculpt your muscles. In order to get optimum results you should participate in 3 or more sessions per week. If you have a cuddly layer of adipose tissue (fat!) hiding your 'ripped' physique then your Pilates workouts will need to be complimented with 5 x 30 minute cardiovascular workouts per week to reduce your body fat percentage.



Unlike some forms of exercise, Pilates does not over-develop some parts of the body and neglect others. While Pilates training focuses on core strength, it trains the body as an integrated whole. Pilates workouts promote strength and balanced muscle development as well as flexibility and increased range of motion for the joints. Pilates work outs are designed to improve balance and coordination by teaching a greater connection between the mind and body. Many of the older clients that I have trained have forgotten how to use various muscles and their reaction times are slow. This is often very frustrating for them and it comes as a surprise. Pilates is an ideal way to get back in touch with your own body so that you can use it to its full potential.

One of the best examples of Pilate's body would be Deepika Padukone. Pilates has worked wonders on her body and uses a combination of strength and yoga to tighten the core muscles of the body and relax the mind. As a routine, it helps build flexibility and creates endurance in legs, abdominals, back and arms through resistance training. Also, since Katrina Kaif dislikes working out and she mostly comes in after her shoot schedule, pilates work the best since it is the perfect combination of stretch and strength and whose "breathing energises".

All in all, Pilates is a wonderful body-conditioning programme because you don't need any equipment in order to strengthen your body. You can simply use your own body weight to create resistance for your muscles and to tone up. Pilates focuses on breathing - a deep, mindful pattern of breathing that instantly enhances feelings of calm and release in the body and mind. We also work constantly on posture: a poised and lifted body, free from tension and pain, creates a calm mind.

A lazy man's guide to fitness

Exercising regularly has copious benefits. When you exercise, your brain releases endorphins that help improve your mood and decrease depression. Exercise will prevent the risk of serious

diseases such as cardiovascular disorders, diabetes and even some types of cancer and keep you fit. Although you may be aware of the benefits of exercise, many times we find it difficult to follow a scheduled workout and exercise routine. Majorly due to time restraints, lack of focus or simply because you feel lazy you end up pushing your workout to 'tomorrow' that never comes! As Cher quoted, when she joked, "Fitness - if it came in a bottle, everybody would have a great body."

Here are some fitness and workout tips to help you get off that lazy ass!

- Take the stairs. No matter how alluring the elevators and escalators might look, do not give in! Start slowly. 3 floors each day initially is a good idea. You can gradually work your way up.

- Park away from the entrance when in a mall or shopping area. That ways you can walk up to your car and also avoid getting into a quarrel over who gets the closest spot to the entrance.

- If you take the bus, get off one or two stops early and walk the rest of the way.

- Get into household chores. Vacuum more often, change the sheets more often, and mop the floor more often. Get your heart pumping and burn those calories.

- Work out for just 10 minutes. If you think you're too busy to exercise, you have to fix that attitude. Try this: For one day, schedule a time to work out, and then stick to it - even if you can only exercise for 10 minutes, or do just 20 push-ups and crunches.

- Get active for 15 minutes every morning. Make it easy. Start off slow and steady. Benefit at the end of the four weeks, you'll have a new habit and will be able to progress to greater amounts of exercise.

- Walk for 20 minutes after dinner. There's more than enough scientific evidence to prove that given the countless benefits of walking it should be incorporated into our daily lives.

- Engage in your favorite sport atleast thrice a week. Badminton, football, swimming, running, tennis or anything that gets your excited.

- Wake up to water. Any fitness plan would be incomplete without the element of nutrition. But the good thing is, you don't have to drastically shake up your diet. All that's needed: Drink 2 glasses of warm or room temperature water when you wake up every morning. And sip at least three litres of water over the course of a day, especially if you're now going to exercise more frequently.

- Try these exercises at your desk - Squats on your office chair, Push Up against your desk, Triceps Dips on your chair, Shoulder Workout.

- To pump up your routine, you can go for 3 days a week of high intensity interval workout. That is, workout for 30 seconds straight, take a break of 30 seconds and start again. You burn more calories and get more out of your workout.

- 2 days a week go for walks, play with your kids, play with your friend, or arrange a football or cricket game in your locality.



- Nutrition trick is to NOT let yourself get hungry. You MUST eat to keep up your metabolism. Starving yourself can damage your body and lead to mindless munching by stealing essential nutrients from your organs and muscles, to satisfy its requirements in less important areas.

- Snacks between meals are important, as long as it's the right things to eat. Fresh fruit, fresh vegetables and yoghurt are the best. I don't think I have to say this, but cookies, candy, and the like will only slow your progress.

For the first 1 or 2 weeks, this may be difficult for you. We are essentially shrinking our stomachs, and replacing bad habits with good habits. Do not skip breakfast! Remember, our body needs the fuel to carry on through the day. It's important to stay hydrated, pumped and most of all motivated to get into a good workout routine. Remember that there is no greater joy than seeing your efforts pay off with a healthy and fit body at the end of your workout regime. Try these tips and go from flab to fab in a matter of weeks!

Yasmin Karachiwala, a fitness expert with 26 years of experience in the fitness industry and pioneer of 'Pilates' physical fitness system in India.

Yasmin has earned the reputation of being the number one celebrity fitness trainer with her clientele enlisting the crème de la crème of Bollywood like Katrina Kaif, Deepika Padukone, Alia Bhatt, Preity Zinta, Bipasha Basu, Nora Fatehi, Vani Kapoor, Sophie Choudry, Ananya Pandey, Khooshi Kapoor, Hardik Pandya, to name a few.

Her association with Miss India pageant, Get Gorgeous and other fitness programs on television adds to her glorious reputation.

She can aptly be called the soul and the life force behind many of her clients as she motivates them to be consistent in their fitness regime and advises them to adopt the right lifestyle for a healthier and happier life

Being the first BASI certified Pilates instructor in India, she introduced the concept in the country and has managed to take the concept from no-awareness at all to developing train-the-trainer programs. She has also been felicitated with the 'Best Fitness Instructor' award at Vogue Fashion Awards 2013, Elle Beauty Awards 2015 for Best Fitness Expert, Giants Awards 2015, Rotary Award 2015 for contribution to fitness & wellness, World Women Leadership Award 2016 for excellence in Health, Wellness and Fitness, Super Woman Award, 2015 by 94.3 Radio One, Business Icon for Fitness 2019 by ET Business, Fitness Innovator of the year 2019 by Jaslok Hospital, Fitness Excellence award for Best celebrity trainer - Female 2019, Fit and Fab Award 2019 by Global Spa. Harnessing all her knowledge and experience Yasmin Karachiwala has already achieved benchmark for her co-authored book "Sculpt and Shape" The Pilates way which gives you an insight to Pilates and how it facilitates a better posture and positive approach to life. Apart from Basi she is also first Balanced Body Master Pilates Instructor and Fletcher Pilates instructor in India.

Apart from her own personal fitness Studio Yasmin's Body Image Pvt Ltd in Western Mumbai (Bandra), she also manages franchisees at South Mumbai, Andheri (Western Mumbai), Dubai, Dhaka, Delhi, Ahmedabad, Indore and Gurgaon.





Nurturing Lifestyle

2020 ZODIAC TAROT FORECAST

The Healing Chalice: Bakhtavar H. Mistry

BAKHTAVAR HOMI MISTRY

ARIES
Slow and steady wins the race



A year of hard work, achieving goals. Reaching that pinnacle but at what cost? Sometimes it's the journey not the destination that really matters. Enjoy what you are doing; stop to smell the roses along the way. Rest, recoup and gather yourself together. Learn to delegate and prioritise. You don't need to do everything perfectly all the while. Sometimes it's more fun being a healthy happy number two. Do not overburden yourself. It will happen. Slow and steady wins the race. You will get there eventually.

WELLNESS
Overall good health. Might feel a little tired and less energetic. Maintain a healthy daily routine.

RELATIONSHIPS
A dependable, balanced relationship this year, someone who will help carry the load. No starry eyed romance, a slow steady flame. Married partners will be a little overburdened. Try to lighten the atmosphere and pitch in with the work.

TAURIANS
The devil is in the details



A lovely year ahead filled with material bliss and all earthly wonders. While the money comes in ,it's time to pamper and indulge in your material needs. A good year for Taurians to buy land or property. While things on the material side are good do not forget to document and do your due diligence for all matters.

A year where you can do some personal introspection. A good time for those interested in studies, research or spirituality, they will probably find the right teacher, mentor or guru.

WELLNESS
Good health overall, nurture and pamper yourself. However do not ignore any doctor's advice for further medical investigation. Eat wholesome food; yoga is the ideal exercise for the year.

RELATIONSHIPS
Nurturing and caring are the theme for the year. Taurians will find themselves pampered and cared for.

Realizing that happiness comes from within you and not from another person is one of the great lessons of this year.

GEMINI
Seize the day



A year of action, taking control and getting things done with the promise of material reward to follow. A time of progress of ascending to a certain position in your career. A good time to start something new. Opportunities knock at your door and you have the presence of mind to take advantage of them. A great year for tangible investments of any kind. Those in management, any kind of event planning or any profession that requires good organization skills will thrive.

WELLNESS
Health is on your side and time to start a good exercise routine.

RELATIONSHIPS
An exciting year romantically. Single Geminis have a good shot at finding the right one and settling down. A year of good chemistry and a promise of satisfying RELATIONSHIPS.

CANCER
No man is an island



A productive year overall. Make friends and influence people. Meet the experts on all topics of importance. Interact with your peers. Exchange ideas. A year of coming together of talent and skills, utilized in consensus to build something beautiful. Aim for the masterpiece ,not the mundane and know that your goals are achievable with teamwork. Use your skills and talent and consult the experts when you need something outside your skill sets. Your efforts will be well rewarded and acknowledged. A good year for borrowing, lending and repaying loans. A time to help others from your place of privilege and to have a grateful heart.

WELLNESS
Body, mind, soul are all an important part of you. Focus on, heal and nurture whatever part of you needs your attention now. Feeling wanted, fulfilled and useful will contribute hugely to your well-being.

RELATIONSHIPS
For those looking to get hitched, look within your own social circle. You're more likely to go the arranged marriage route. Relationships are fulfilling with a lot of interaction and teamwork, each person supporting and learning from one another.

LEO
All things come to he who waits



What a satisfying year ahead! You have cracked the code, realized that more things are achieved with compassion and patience than with force. A year of magnificent manifestation that seems fairly effortless. Hold your peace and reign in that impatient lion roar. Be kind, considerate, do not impose your point of view and you will be rewarded manifold. Focus on your feminine side. Be creative, empathetic, kind and nurturing and then watch the miracle unfold.

Enjoy achievement, success and leadership and you will thrive rising up the hierarchy in your organization.

Material fulfillment…. As long as you follow your passion, success will follow you. A great year for creatively inclined Leos.

WELLNESS
A healthy year for Leos, focus on building your stamina and immunity.

RELATIONSHIPS
A year of passion, physical and emotional, of expressing and demonstrating the beautiful emotion of love. Married Leos may rediscover the missing spark. Single ones its time to take your relationship to the next level.

VIRGO
Tough times never last, tough people do



Whatever comes your way you're equipped to deal with it. So yes, things do seem a struggle don't get over emotional, it's competition not personal. May the best man win and this year you are the best man. Successfully fighting and rising above all odds. Your situation will require singlehanded effort, valor, courage which you have in spades. Remember you are at an advantage even though it may not seem that way. Stand your ground and defend your well-deserved position. If you are wondering if you

should take action on anything, a new job, education, relationship etc. do so. It may not seem easy but things will pan out. Look at the big picture the effort and the risk are worth it. Stick with what you are doing and you will surely be rewarded. Don't take things too seriously, make time for fun, enjoy the good things life has to offer- love, relationship and family , enjoy music and art and feed your soul.

WELLNESS
Stress related health trouble, if struggling with niggling body pains, you can tackle it with sustained effort.

RELATIONSHIPS
A time for romance, though if you are floundering in a relationship, yes it is worth the effort. Single Virgos be ready to flirt and mingle.

LIBRA

Have the courage to start and enough courage to finish



You know and the world knows how very capable you are. Charge ahead with confidence but only once you have thought things through. You are unstoppable, so ensure you are fighting for the right cause. You are ready and equipped to take the next step in life so go ahead with confidence. Admissions, travel, new jobs are likely to happen. So say yes to accomplishing your goals. It's time to make up your mind and set things in motion. Partnerships are profitable. You are in a position of control. Make wise choices and then act on them.

WELLNESS
Health is good. Spend sometime acting on your productive thoughts and spring-cleaning out the negative.

RELATIONSHIPS
While you are so busy acting on your ambitions don't forget the ones who love and support you.

Kind words of appreciation, spending time with loved ones will go a long way in contributing to your happiness.

SCORPIO

If you change the way you look at things, the things you look at change



A year of opportunities, a time filled with potential, what you make of them is entirely up to you. A good time to start a business; strike out on your own. Overall material abundance. Time to claim the fruits of your labour. Investments will be safe and secure. Those associated with land, farming and food, luxury or lifestyle products,a time for growth. Go for it then, do your best and leave the rest to the universe, surrender and be patient.

Some of you will experience a change. Be willing to give up something for the promise of something better. Your perspective also changes. A shift towards forgiveness, peace and harmony.

WELLNESS
Good health, a 180-degree change of food or exercise habits for the better. Learn to still the mind. Meditation, chanting, yoga or any inner process really contributes to your wellbeing.

RELATIONSHIPS
A good time for love, marriage adding to the family or even bringing home a pet. An opportunity to release old unfavourable relationships or behavioral patterns and start afresh.

SAGITTARIUS

Nobody can hurt you without your permission



Time for conflict dealing with your inner and outer demons. Things may not just seem to flow smoothly with minor disagreements, verbal clashes, competition and one-upmanship getting in your way. Please make it a point to communicate clearly and tactfully, understand it's a phase… this too will pass. In retrospect you would have learnt many lessons, which would contribute to your future growth. These setbacks will only give you the self-confidence to find your plus points and develop your passions. You will recognize the energy and adventurous spirit inside you and understand your true potential. Don't waste time on the irritating details, look at the big picture and take action. Avoid litigation.

WELLNESS
Physical aches and pains, stress induced headaches, heartburn and acidity are likely to trouble you this year, keep a cool head. Take long walks, breathe deeply.

RELATIONSHIPS
Minor disagreements and set backs plague long-term relationships. A passionate short - term affair, which might end equally abruptly, is a possibility.

CAPRICORN

A great relationship is about two things- first, appreciating the similarities, and second, respecting the differences



A beautiful time for partnerships, finding the right person who compliments you in business or in relationships. If times seem tough, understand you have the mental strength and persistence to overcome all odds. Though you know your capability this is not the time to strike out on your own; its time to work with people. Teamwork is your success mantra for the year. A time of great victory. Clarity of vision is a huge contributing factor towards your success.

Maintain your individuality but cooperating for the whole group/team bears fruitful results.
A great year for travel.

WELLNESS
Good health, great healing. Those looking to go on a diet now is the time.

RELATIONSHIPS
This is the year for ideal relationships finding love, living in harmony but a word of caution, don't let your ego get in the way. It's time to be together not alone.

AQUARIUS

The best of times is now



A time to celebrate. Your efforts payoff. A few milestones (professional & personal) crossed. Enjoy the feeling!

Don't fear change, embrace it. Move beyond your comfort zone. A time to experience progress or results in tangible form. Enjoy, celebrate, plan and focus on the next steps ahead. Let your imagination flow. Be creative with what you want in life but temper it with practicality. Don't build castles in the air.

A good year for creative people- actors, artists etc.

WELLNESS
Your happiness or state of mind, contributes to your health. Be joyous, celebrate, don't stress on the small stuff, and take a holiday.

RELATIONSHIPS
A wonderful time to add legitimacy to your relationship. Get engaged or married. Declare your love to the world, celebrate! It's a wonderful time to buy a family home.

PISCES

The best thing to hold onto in life is each other



A time of love and romance as well as sensitivity, focus on the higher emotions. Let your heart rule your head. A year of falling in love with love.

A lot of you will find trouble focusing on the mundane daily routine and will want to take a break and explore the finer things in life- poetry, music, literature and spirituality.

Fashion, aesthetics, deeply interests you. Focus on the things that give you emotional satisfaction. You may be seeking love or emotional spirituality. The quest is yours. Do a reality check from time to time. Trust your heart and your gut. Your inner psychic is in full flow. Make a conscious effort to be consistent.

WELLNESS
Don't let your emotions get the better of you. Being moody, lost in your own thoughts is how you are going to feel this year. Pamper yourself with a good massage or spa treatment. Focus on self-love.

RELATIONSHIPS
Listen to people. Be kind and patient. This year you are an entertaining, calming and loving influence. It's a time for romance. The whole gamut, the possibilities are endless, from light flirtations to deep abiding relationships.

Bakhtavar Homi Mistry

With over a decade of experience under her belt, Bakhtavar Mistry is a certified professional Tarot, Angel and Oracle Card Reader, Bach Flower and PLR therapist who goes by the name - The Healing Chalice.

She is very well reputed for her insightful readings and guidance.

Her calming persona is what makes her such a majestic and compelling tarot reader.

She lives in South Bombay with her husband and 2 daughters.

She also conducts intensive Tarot workshops.

Nurturing Lifestyle



VASTUSHASTRA FOR SHARE TRADING BUSINESS

Dr. RAVIRAJ AHIRRAO

Co-Founder

VASTU EXPERT

Trading in the stock is a challenging business. It is a business where person can make money with knowledge of the market fundamentals, patience, self discipline, proper mind control above all luck. However, VastuShastra is one more natural facet that transform your abilities and success to next level. Rather there are very important and effective guidelines in VastuShastra that controls success of your investments and savings. Vastu-defects in South-West can sabotage your investments. Intraday traders are influenced by influenced air element, which means they mustbe swift and fast. Whereas long term investors are supposed to be stable and strong which is governed by earth element in South-West. One more important aspect in share trading for grand success is clarity of mind and thoughts which is governed by water element from North-East. Cash-flow is integral part of every business which governed by Fire element which is in South-East.

VastuShastra is an ancient Metaphysical science of Indian origin , which is nothing but energizing human life through energy forces of nature like five fundamentals... the earth, the water, the fire, the air and the space with eight directions with due respect to electro- magnetic and gravitational force of the nature along with all cosmic and universal energies.

As a vastu consultant, our vastu guidance has given grand success to all those small players who operate from home. One of the leading share trading firm also availed and benefited from VastuShastra. Once at Singapore, one of the leading financial institute provided us an opportunity to address the huge audience on how VastuShastra can help to safeguard their investments and savings. Many leading wealth consultants now a days prefer to add VastuShastra as a value addition tool to enhance the success of their clients.

Here are some of the valuable Guidelines for successful share trading.

1. North is a best place to seat and face for the trading. This direction is governed by Lord Kuber, who safe- guards and ensure growth in wealth of God and mankind. Presence of blue color can help to bring in business opportunities.
2. Second best place for trading is West direction which is responsible for profit and gains whereas West of South-West is favorable for savings. However, face should strictly be to North.
3. As a share broker, analyst and guide, one should always follow the guidelines and Vastu principles of North-East. As it sharpens and gives clarity to your thoughts, ideas and proposals you come across. This is very important for buy-sale- hold decisions.
4. For every trader contact and connects enhance and enrich their business potentials. Presence of green color in this region is very useful.
5. Any share Broking firm or house, if frequently come across controversies and difference of opinions among the analysts or trading consultants, then it is highly essential to check seriously vastu compliance of East of South-East. One can make use of this region very effectively for developing group-oriented activities.
6. For share trading firms cash flow is highly important for effective settlement of trades in the form of receipts and payments. South-East direction is highly influential in cash flow. Presence of Orange color, Kamdhenu, Samudra Manthan or red horses photo frames play beneficial role.
7. Despite market volatility and cash flow pressures decisions of share traders are highly important for all investors, here his own peace of mind and confidence is highly influenced by South direction. Seating arrangements strategic decision makers, technical analyst along with presence of red color can boost their success.
8. Stability of share trading business, business owner and their investments are highly influenced by South-West direction. Any vastu defects in SW can lead to financial losses or blockade of funds. Hence balancing earth element and thereby South-West is highly important.
9. West of South-West and West direction influences savings, investments and profits, hence second-best position for trading activities. However strict adherence to vastu guidelines of this region is also very important for crystal clear success.
10. One should strictly avoid seating in South of South-West and West of North-West region for trading, as they are prone for failures and frustrations.

VastuShastra is an ancient Metaphysical science of Indian origin , which is nothing but energizing human life through energy forces of nature like five fundamentals... the earth, the water, the fire, the air and the space with eight directions with due respect to electro-magnetic and gravitational force of the nature along with all cosmic and universal energies.

11. Any support system required for successful trading like technical availabilities, source of expert's guidance, systems that can enhance success are controlled by North-West direction.
12. The best entrances of share trading firms are North of North-West, North, North-East, East of North-East, South of South-East, West of South-West.
13. The central region of share trading firm should be maintained weightless which helps in team bonding and binding, otherwise due to lack of team spirit organizations are likely to fail.
14. For any share trading business North-East helps to bring opportunities and wealth inflow. South-East accelerates technical expertise and capacity utilization. South-West ensures stability, vigilance and relationship of businessman. North-West controls communication, harmony and relationships. Finally, Brahma (central) region helps in efficient execution of business.
15. Presence of abode of God or prayer position in North-East gives booster effect to your business.

However, in twenty first century lifestyle and business, it is very difficult to get or manage all the principles or guidelines of VastuShastra as narrated in books of VastuShastra. However, one should try to maximize their abilities within the available frame and shape of premises. Rest of all shortfalls can be overcome through energy boosters.

Dr. Raviraj has been a nationally and internationally acclaimed authority in the field of VastuShastra for the past twenty-two years. (Most experienced revered personality in Indian VastuShastra.) He was invited by International Communication Forum to deliver a lecture on"Vastushastra, a Boon to Communication Industry" at Davos, Switzerland in 2015 and the function was attended by Top guns from 40 countries including representative at President Barack Obama, USA. He regularly delivers lectures at several social, cultural, Industrial, Academic Institutions, Association of Business, Developers. He is the first personality in providing Vastushastra service through the medium of franchisee. He has appeared in more than 350+ one Act plays in Marathi Drama stage theatre. He has been awarded gold medal for research paper on peace and harmony in life through Vastushastra at International conference held in Mauritius in 2001. He also received special appreciation at Asia - Construction 2001 held at New Delhi and awarded Gold medal at a conference on alternative medicines Colombo, Nov. 2001.



Nurturing Lifestyle

IRELAND THE EMERALD ISLE (Food Travelogue)

Editor and Publisher

FARZANA CONTRACTOR

UpperCrust

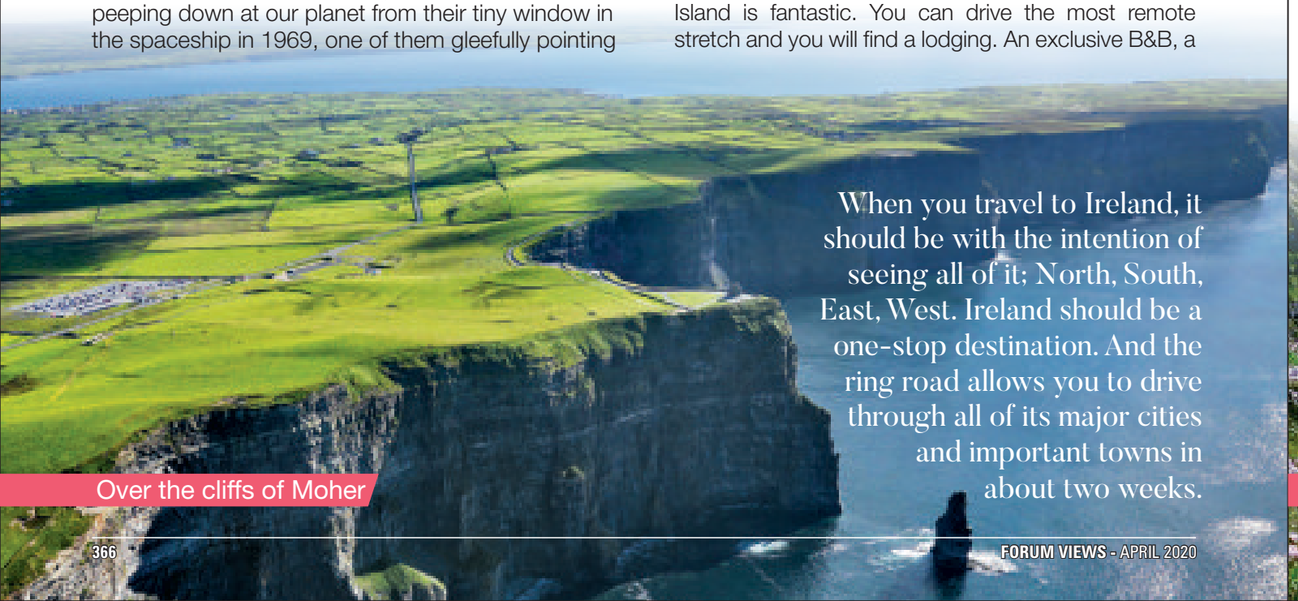
I am no stranger to Ireland. I have been there often enough to claim a certain sense of belonging. Though I have never been to Ireland in winter, I have seen it in all the other seasons and each one is lovely. Spring is exceptionally beautiful in Ireland's countryside, where the rain is like a soft spray and sheep and horses and cattle graze in picturesque meadows.

I could go to Ireland again and again and it follows that I recommend it highly to anyone who loves to drive, stay in unpretentious bed and breakfast places, eat pub grub, drink Guinness and just soak in nature's bounty.

It is said, when Neil Armstrong and Edwin Aldrin were peeping down at our planet from their tiny window in the spaceship in 1969, one of them gleefully pointing to a large patch of green, said, "Ah, that must be Ireland, so green…" Yes, that is Ireland all right, with more shades of green (40?) than anywhere on earth.

Add to that an unlimited coastline, super beaches, awesome architecture, quaint villages, organic produce, the best lamb you can eat anywhere else (perhaps, except New Zealand), a robust cuisine, with food festivals galore, you know absolutely well, you can have a super holiday at this destination.

The natural beauty of this island captivates you. You can drive endlessly, yet not feel you are in the back of beyond, cut off from the world. For you keep passing villages and hamlets, pubs and B&Bs set in remote places. The accommodation anywhere on this Emerald Island is fantastic. You can drive the most remote stretch and you will find a lodging. An exclusive B&B, a



Over the cliffs of Moher

When you travel to Ireland, it should be with the intention of seeing all of it; North, South, East, West. Ireland should be a one-stop destination. And the ring road allows you to drive through all of its major cities and important towns in about two weeks.

newly refurbished castle hotel, a charming old farm converted into a homestay, little boutique hotels hidden away from main roads.

When you travel to Ireland, it should be with the intention of seeing all of it; North, South, East, West. Ireland should be a one-stop destination. And the ring road allows you to drive through all of its major cities and important towns in about two weeks. You could even take in Northern Ireland, Giant's Causeway, all of it.

You could start in Dublin or Belfast depending on which of the two cities you are flying to. I prefer Belfast, keeping Dublin for the last leg. Luckily, travel to Ireland is a lot easier now. The British Irish visa scheme launched earlier this year allows Indian nationals to travel to the UK and Ireland on a single short term visit visa. You don't have to get a separate Irish one.



Adare Manor

There is much to write about Ireland and its Celtic mythology and culture, Irish music and dancing, its famous museums and monasteries, but that would mean endless reading for you, so I will restrict this article to just Belfast and Dublin. But before that, let me tell you, the most beautiful area I find, is in its west coast, the Cliffs of Moher, the Dingle Bay (where the classic film, Ryan's Daughter was shot), and Kinsale, in County Kerry, considered the gourmet capital of the country. And for one village experience, I would say, go to Adare - The Tidy Town, with its dollhouses and thatched roofs. You also have Adare Manor to spend a night at. It's one of the best castle hotels of Ireland.

So, let's come to Belfast. This is Northern Ireland. Which has in its history cold facts of harsh times, a war zone, a strife that went on for decades and kept tourists away. It is depicted rather creatively, through murals all over the city, painted on streets and house walls. Amazing, in-depth narratives, which tell a sad tale of the hardships the locals went through. Of their fight, their zeal to protect their homeland. 'Troubles,' is the official term used for the conflict-ridden times and thankfully, The Troubles are now a thing of the past. Today, Belfast stands strong on its feet and having a good time too! With restaurants, pubs, cafes, terrific shopping malls, art galleries and tourists galore…



Titanic Centre

Belfast did catch my imagination the first time I was there, 25 years ago. It's quite beautiful; grand buildings, interesting streets, lovely shops, and Lagan the river, meandering through the town. There are charming restaurants, serving some amazing fare. Victoria Street, also known as the Golden Mile is a must visit, has all of the above.

The Lagan was once a very filthy river, until the citizens took it upon themselves to clean it up. And to commemorate the accomplishment of regenerating the river, a beautiful sculpture of a fish, a 10 m long piece of mosaic art sits glistening in the sunlight in the west bank of the Lagan. This very happy piece of art in blue and white ceramic tiles sculpted by John Kindness in 1999, has texts and images pertaining to the history of Belfast. Simply brilliant.

An entire morning has to be reserved for a visit to The Titanic Centre. You cannot but associate Belfast with the Titanic. It was here that the ship was built and from where it sailed on its maiden voyage on April 10, 1912, only to tragically sink off the coast of Newfoundland five days later.



Kinsale via the Ring of Kerry

Even for those not obsessed by this subject, a visit to the Centre is a must. The £90 million-visitor attraction tells the story of the ill-fated passenger liner which sank after hitting an iceberg, taking with it 1517 lives.

Dublin, called, 'a city of a thousand welcomes,' will blow you. Few cities have it all; history, culture, literature, architecture… charm and cheerfulness that is so infectious, you go whistling along the banks of the Liffey, song in your heart, a skip in your stride.


Grafton Street, Dublin

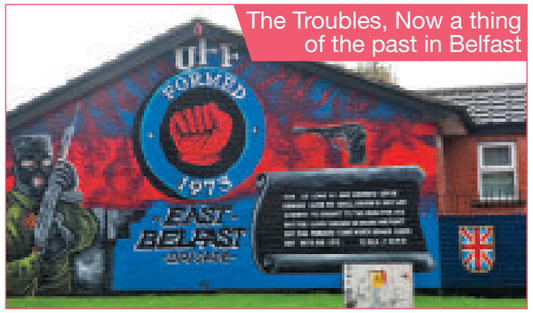
Among the most buzzing cities of the world, Dublin is said to be 'as friendly as a village and as intimate as a pub.' It has an unique, easy going-ness about it, contributed undoubtedly, in no small measure by the buzz that is created by Trinity College, located bang in the center of town. The happy atmosphere is created thanks to the teeming students, both local and international. You see them everywhere in the streets around the fabulous university, rushing around, cycling, sitting in parks in groups, or on a bench, reading.

It's very typical of Dublin that a meeting between a local and a visitor (where you get in-the-know tips and local knowledge) has been turned into an event, with The City Of A Thousand Welcomes. This is a civic initiative started by Dubliners where they enlist locals who become ambassadors of the city and help tourists really get to know their part of the world.

This is how it works: When a visitor registers with City of a Thousand Welcomes, the patrons send them a free guide to the city and appoint a Dublin Ambassador to welcome them. Shortly afterwards, the ambassador invites the visitor or visitors for a cup of tea in a café or a pint in a Dublin pub and the group takes it on from there. The role of the ambassador is voluntary and unpaid. Such a fantastic, simple idea of bringing tourists and locals together.

A friendly reputation is not the only thing Dublin is famous for. James Joyce immortalised the city and its people in his work, and the city continues to live and breathe literature. Hence Dublin has been awarded the title of UNESCO City of Literature.

There is much you can do in town. Catch a reading of Joyce's work in Sweny's Pharmacy, the real-life relic from Joyce's masterpiece Ulysses. Or discover where Bram Stoker, author of Dracula, lived and studied or take a different approach to literary works on the Literary Pub Crawl.



The Troubles, Now a thing of the past in Belfast

You can also visit the bust of India's own celebrated poet, Rabindranath Tagore in St Stephen's Green - the only non-Irish statue in the park to date! The bust was unveiled on October 17th 2011 to mark the 150th anniversary of the birth of the Indian Nobel Laureate and a close friend of W B Yeats. In fact, Yeats wrote the introduction for the English translation of Geetanjali.

My advice; when in Dublin, WALK. It's a great city to explore on foot. From the gracious city parks of Merrion Square and Iveagh Gardens, to the grand Georgian architecture and al fresco café culture of South William and Drury Streets, there is much that will catch your attention.


Dingle Bay

Not forgetting Temple Bar - a cobblestoned cultural enclave of galleries, restaurants, shops and the lively Meeting House Square. The area is the location of many Irish cultural institutions, including the Irish Photography Centre, the Ark Children's Cultural Centre, the Irish Film Institute, the Temple Bar Music Centre, the Gaiety School of Acting, as well as the Irish Stock Exchange and the Central Bank of Ireland.


The Dingle Peninsula

After dark though, the area is a major centre for nightlife, with many tourist-focused nightclubs, restaurants and bars. Pubs in the area include The Porterhouse, the Oliver St. John Gogarty, the Turk's Head, The Temple Bar, Czech Inn, the Quays Bar, the Foggy Dew, the Purty Kitchen and Gallagher's Boxty, where I ate some traditional Irish fare and is covered in the next article.

The best place to take a breather in Dublin city is along the River Liffey. Dublin's got plenty of bridges, pick one and linger there. From here, the city's water-edged catwalk of architecture unfolds. A breathtaking clutch, indeed. Then take a walk around medieval Dublin - this intimate knot of small alleys and broad streets south of the Liffey is where you'll find Christ Church, Dublin Castle and Dublinia.

Earlier, I mentioned that Trinity College stands bang in the centre of town, actually it is the other way around. It's Dublin that grew around the college which is ranked 6th Most Beautiful University of the World by Forbes. Well, this education centre is located on College Green, opposite the former Irish Houses of Parliament. The college proper occupies 47 acres, with many of its buildings ranged around large quadrangles (known as 'squares') and two playing fields, cricket and football. Academically, it is divided into three faculties comprising 25 schools, offering degree and diploma courses at both undergraduate and postgraduate levels. Anyone visiting Dublin just must spend time visiting the faculty.

There's hardly a more delightful place in Dublin than the grounds of this prestigious university, a Georgian masterpiece of architecture, with beautiful landscaping. Not only is it the most attractive bit of historic real estate, but it's also home to one of the world's most famous - and most beautiful - books, the gloriously illuminated Book of Kells. There is no charge to wander around the gardens on your own between 8 am and 10 pm.

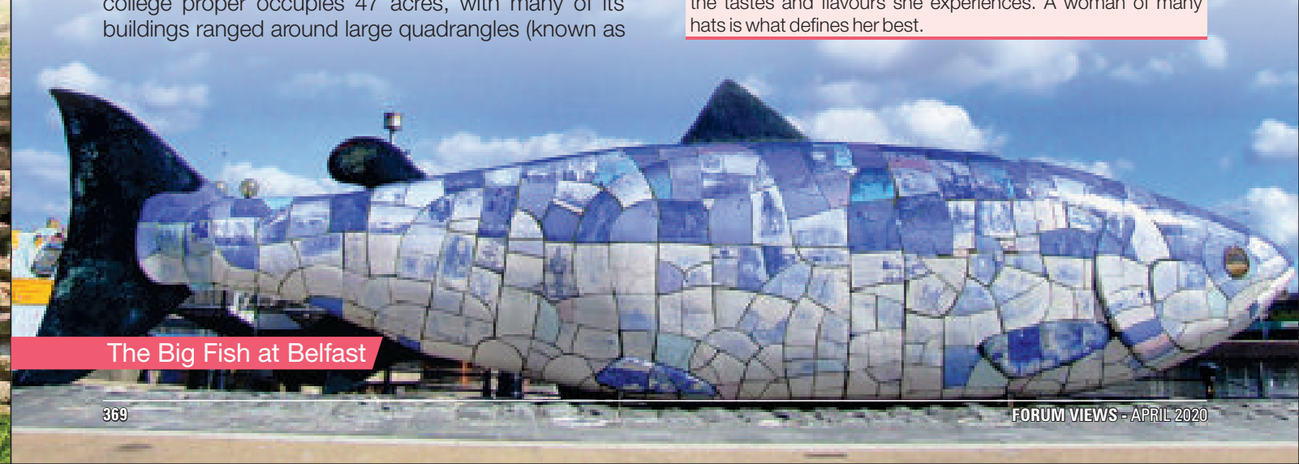
But if walking is not something you enjoy - which is a shame - you could do Dublin by bus. This city is geared to making your visit as pleasant as possible.

I can't sign off without mentioning that a visit to Dublin would be incomplete without checking out the Guinness Storehouse. It's the number one international visitor attraction. If you like stout, it would be on your itinerary, anyways!



Guinness- the black magic potion

Farzana Behram Contractor is the Editor and Publisher of UpperCrust, India's first and only food and travel magazine; and Dogs & More, a premium pet magazine. Her expertise ranges from food and wine to travel and photography, apart from her keen interest in pets, farming, interiors and just creating - anything! Her work is her life and she lives through the activities she pursues, the people she encounters, the places she visits, the tastes and flavours she experiences. A woman of many hats is what defines her best.


The Big Fish at Belfast

AMAZING DESTINATIONS

JNTO
Japan National Tourism Organization

Your **Japan.**
Your **2020.**
Your **Way.**

JAPAN

AN ALL YEAR-ROUND DESTINATION THAT HAS SOMETHING FOR EVERYONE!

“Japan has a fascinating and multifaceted culture. On the one hand it is immersed in the deepest of traditions dating back thousands of years; on the other it is a society in a continual state of rapid flux.”



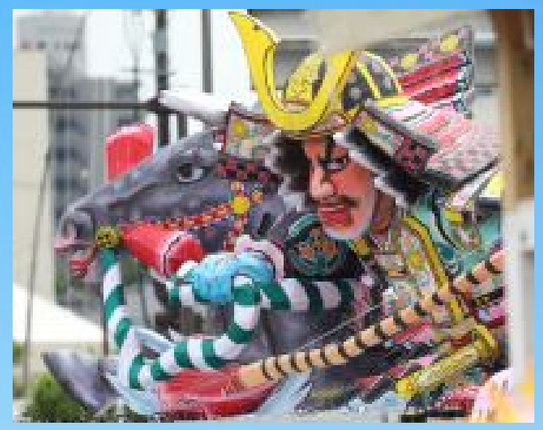
An archipelago of about 6,852 small islands, Japan is an island nation in East Asia. Famously known as the ‘Land of the Rising Sun’, the temperate climate, the unique culture and history, as well as the picturesque landscape, make a trip to Japan one of the must visit destination. Be it the intricate reflective gardens, the stunning castles, the sophisticated environs of Tokyo, clear pristine beaches, lavender fields or the snowcapped Mount Fuji; there is no dearth of tourist attractions in the country.

Complexity and contrast are the keynotes of life in Japan-a destination which possesses an intricate and ancient cultural tradition, while simultaneously emerging as an economic force that sphere heads the technological advancements for the world. Japan is also a year-round destination for all genres and age group of Indian travellers. Moreover, from spring to summer and autumn to winter, different seasons in Japan truly surprises every traveler.



Spring in Japan is famous for the cherry blossom season (March to April), and it is on every traveller’s bucket list to experience hanami (cherry-blossom viewing) in all its glory. As the Tokyo region gets relatively crowded during this time, one can head to the offbeat spots of Hokkaido and Tohoku to capture this experience at peace and with ease. This beautiful colourful blanket of nature that envelopes whole of Japan, also doubles up as the most romantic time of year for honeymooners, couples and families.

Summer brings the onset of festive time of year for Japan. During this time, entire nation pulsates with the festive fervour. The colourful matsuri festivals infuses a fresh lease of joy in Japan. This period is also considered perfect for adventure seekers as they get a chance to hike on the magnificent Mount Fuji or laze around the pristine beaches of Okinawa. Travellers who want to mix leisure with experiences, can also watch the sumo wrestling matches which goes on from 5th to 19th July in the Nagoya region.



Lesser known time of the year to visit Japan is the fall season. It is yet another magical period with brilliant autumn colours and crisp, pleasant temperature. Known for the vibrant autumn foliage (koyo), it is best time to visit the areas where leaves have turned crimson red and yellow, especially in the mountains,



public parks, and shrine grounds. Travellers can capture the most picturesque photos with this stunning backdrop.

Winter in Japan is all about a relaxing stay at a Japanese onsen (hot spring) resort. One can either choose between a luxurious indoor onsen, an open-air, or even private in-room onsen. While in Japan during winters, travellers can live their dream of soaking in a hot onsen with the snow swirling around you. There are numerous, extremely thrilling winter sports activities to engage in during this period. The country is also home to the world-famous ski resorts where people from beginner to professional level can participate in.



Geographically, Japan is located in an active volcanic zone, ie... Showa-shinzan and Sakurajima. As a result, Japan has a variety of amazing volcanic landscapes, including caldera and fuketsu (a cave from which cold winds blow). There are also numerous geothermal areas that have developed hot springs. Surrounded by seas as well as much precipitation, Japan is a country rich water sources and a variety of water scenes. In the coastal areas, you can see sandy beaches, tidelands and coral reefs that serve as habitats for many birds and fishes.

Japanese cuisine and the art of food making is an integral part of the country and counts amongst the top brand recalls for the country. Sushi is one of the most prominent food that spring to one's mind while thinking about Japanese cuisine. Indian travellers are experimenting and expanding their palate to include different Japanese dishes such as Udon (noodles), tofu, tempura and others. One shouldn't give the traditional Japanese tea making ceremony a miss. From vegetarian food to vegan to non-veg, Japan has numerous offerings for all. Moreover, Japan also houses more than 2000 Indian restaurants which serve even Jain and Gujarat food. For a truly memorable gastronomical food experience, one should definitely head to Japan. A noteworthy tip for all the foodies, Tokyo is also the only city in the world which has the highest number of Michelin starred restaurants.



Sake is an authentic Japanese alcoholic drink made from fermented rice. Often referred to as nihonshu in Japanese, the drink enjoys widespread popularity and is served at all types of restaurants and drinking establishments. As interest in Japanese cuisine has grown internationally, sake has started to become a trendy and familiar drink around the world. Lately, the diverse range of Japanese wine is also gaining popularity across the world. Wines with a assortment of flavors are being produced from a wide range of grape varieties, including indigenous Japan varieties. While eating sushi, tempura or sukiyaki, Japanese wine makes for an ideal wine pairing.







Japan has a fascinating and multifaceted culture. On the one hand it is immersed in the deepest of traditions dating back thousands of years; on the other it is a society in a continual state of rapid flux. Japan has around 100,000 shinto shrines and 80,000 Buddhist temples. While some of them are world heritage sites, there are others which hold strong significance for the locals. As a matter of fact, Japan has still preserved numerous temples and shrines which date back to the 14th century. One can dive deep into this well-preserved Japanese history and culture by paying a visit to Kyoto, the cultural capital of the nation. Renowned as the city of shrines, gardens & palaces, it is one of the best places to visit in Japan. One can also visit the Kyoto Imperial Palace, Fushimi-Inari Taisha Shrine, Kiyomizu Temple, Nijo Castle, and Kinkaku-ji to experience the ancient cultural connect of Japan.

Japanese art covers a wide range of art styles and media, including ancient pottery, sculpture, ink painting and calligraphy on silk and paper, ukiyo-e paintings and woodblock prints, ceramics, origami etc. Recently manga has been gaining popularity amongst art lovers. The art has a long history, dating back to the beginning of human habitation in Japan, sometime in the 10th millennium BC. Another pervasive characteristic of Japanese art is an understanding of the natural world as a source of spiritual insight and an instructive mirror of human emotion.

Indulging in outdoor activities like hiking in Japan is a normal norm. Between mountains, lakes and volcanoes, the country unveils its wild charm at every turn of the road. With almost 75% of its territory occupied by mountains or volcanoes, Japan is an ideal destination for hiking enthusiasts. Whether for trekking or a day hike, hikers of all levels will find their perfect spot to enjoy the wide-open spaces and the beauty of nature.



During winters, travellers can indulge in skiing and snowboarding activities. During a visit to the Okinawa region, the chance to engage in water sport activities such as snorkelling or scuba diving should not be missed. The beautiful flora and fauna that the country's underwater world exhibits is very unique and one of the best kept secrets of Japan. Keeping so many different facets that the country has to offer, Japan classifies as a perfect destination for their next vacation. From kids to millennials to middle-age travellers, Japan ticks all the experiences which can expect from in their next fulfilling vacation.

It won't be an overstatement to say that, differentiating the real breath-taking beauty of Japan that meets your eyes, from a beautiful artistic rendition of Japan can be a difficult task. Japan is a destination that instils in you a longing for travelling!







KARO provides financial and emotional support to cancer patients or those with any other life threatening conditions, wherein our focus is Teen and Young Adults (TYA) as this age group has not received due attention in the public healthcare system. We believe that every life matters and irrespective of the prognosis they deserve safe accommodation, nutritious food and recreation to be able to recover.

To promote these values, we launched our first KARO HOME that has supported female patients and their caregiversKARO is a Public Charitable Trust registered under Maharashtra Public Trust Act 1950, donations made to KARO are tax exempted under 80G.

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SEMINARS & EVENTS CONDUCTED BY BOMBAY STOCK EXCHANGE BROKERS' FORUM (BBF)

(APRIL 2019 - MARCH 2020)

BBF PRESENCE AT THE INTERNATIONAL COUNCIL OF SECURITIES ASSOCIATIONS AGM 2019 | MILAN



ICSA 2019

MILAN - JUNE 16-18, 2019

32nd ANNUAL GENERAL MEETING

ICSA





















BROKERS FORUM

JSDA 15TH ASF TOKYO ROUND TABLE

I ♥ Stock markets

Japan Securities Dealers Association (JSDA)
15th ASF Tokyo Round Table
(Tokyo, Japan | 2-7 September 2019)



BBF represented by
Ujwal Damani
(Associate Director,
BBF International
Business Cooperation Division)





Participants of ASF AGM 2019

AFMA David Joseph Lynch
ANMI Anup Kumar Khandelwal
ANMI Kamlesh Shroff
APEI Lily Widjaja Lilina
APEI Octavianus Budiyanto
APEI Rudy Utomo
APEI Zaki Mubarak Hasbi
ASCO Narong Rojkunarak
ASCO Norachet Sangruji
ASCO Pichet Sithi-Amnuai
ASCO Prodklao Rueangnitiwit
ASIFMA Matthew Chan
BBF Anurag Bansal
BBF Dr. Aditya Srivinas Vishnuvajjhala
BBF Dr. Vispi Rusi Bhathena
BBF Ujwal Shashikant Damani
BBF Uttam Bharat Bagri
BWF Michael Heinrich Sterzenbach
CBRT Ünal Seven
CTSA Dennis Bin-Chun Hsu
HABITAT Buğra Avcı
ICMA Mushtaq Asagar Kapasi
IFIE Kathryn Edmundson
IIAC Ian Charles Russell
ISEBA Mohammad Hossein Mostakhdemin Hosseiny
JSDA Daiki Kadowaki
JSDA Fumiaki Miyahara
JSDA Keiko Nakada
JSDA Koichi Ishikura
JSDA Manabu Morimoto
JSDA Takahiro Onojima
KOFIA Han Jo Kim
KOFIA Yong Won Kwon
KRX Hugo Hyunjae Yoo
MASD Khandsuren Chuluunbaatar MASD
MASD Ulziibayar Bold
NZFMA Paul Douglas Atmore
PASBDI Ismael Guerrero Cruz
SIFMA & ICSA Peter Jon Eisenhardt
TCMA Albert Krespin
TCMA Alp Keler
TCMA Ceylan Anıl
TCMA Deniz Kahraman
TCMA Deniz Şanlı
TCMA Ege Adalıoğlu
TCMA Ekin Fıkırkoca
TCMA Gökben Çevikcan
TCMA İlkay Arıkan
TCMA İlker Savuran
TCMA Nilüfer Gevenoğlu
TCMA Onur Salttürk
TCMA Selim Yazıcı
TCMA Süleyman Morbel
TCMA Tuğba Oğan
ThaiBMA Ariya Tiranaprakij
ThaiBMA Tada Phuttitada
VASB Ky Thanh Nguyen
VBMA Giang Hoai Trinh
VBMA Hien Thi Thu Ho
VBMA Thao Thi Bich Ta

*Organisations placed in alphabetical order

ASIA SECURITIES FORUM

Day 1: Sunday, November 3

14:00-15:00 ASF Preliminary Meeting (Members only)
15:00-16:30 IFIE Asia Chapter Mid-year Meeting (Open to all participants)
16:30-17:00 ASF SDGs Working Group Meeting (Members only)















Uttam Bagri presenting on BBF Investor Education and Awareness initiatives

NOVEMBER 3-5, 2019 Istanbul - TURKEY

TCMA | TURKISH CAPITAL MARKETS ASSOCIATION

Day 2: Monday, November 4

09:00-17:00 Opening Renmark's | Keynote Speech | Market Reports (ASIFMA, ICMA, AFMA, CTSA, BBF, ANMI, APEI, ISEBA, JSDA, KOFIA, MASD, NZFMA, PASBDI, ASCO, ThaiBMA, VBMA, TCMA) | Interactive topic: The Role of Financial Sector in Economic Development, Income Inequality and Poverty Reduction | Follow-up session for the Bali Declaration and ASF SDGs Survey



Necmettin Kaymaz (Investment Office, Presidency of the Republic of Turkey)



Anurag Bansal (presenting the BBF India Market Report



Anup Kumar Khandelwal (presenting ANMI India Market Report)



Dr. Aditya Srinivas interacting with Members



Follow-up session for the Bali Declaration and ASF SDGs Survey



With Dr. Alp Keler, CFA, Ph.D. (Chairman, Turkish Capital Markets Association), İlkay Arikan (Secretary General, Turkish Capital Markets Association)



With Necmettin Kaymaz



With Team JSDA, Japan



Team BBF

ASIA SECURITIES FORUM

Day 3: Tuesday, November 5

09:00-18:00 Panel Discussion

Panel Discussion 1: Digital Revolution and its consequences on Capital Markets

Albert Krespin (Member of TCMA Board of Auditors), Kathryn Edmundson (Secretary General, International Forum for Investor Education - IFIE), Peter Jon Eisenhardt (Secretary General, International Council of Securities Associations - SIFMA & ICSA), Ian Charles Russell (President & CEO, Investment Industry Association of Canada - IIAC), Pichet Sithi-Amnuai (Chairman, Association of Thai Securities Companies - ASCO)



Panel Discussion 2: Capital Markets Role in Reaching SDGs

Selim Yazizi (Member of TCMA Board of Auditors), Koichi Ishikura (Chief Officer for International Affairs and Research, Japan Securities Dealers Association - JSDA), Mushtaq Kapasi (Managing Director, Chief Representative Asia Pacific - International Capital Market Association - ICMA), Kamlesh Shroff (Chairman WIRC, Association of National Exchanges Members of India - ANMI), Ian Charles Russell (IIAC)





Introduction by ASF 2020 Host

Dr. Vispi Rusi Bhathena PhD (h.c.) (CEO, BBF) presenting the ASF AGM 2020 destination **JAIPUR | INDIA**



NOVEMBER 3-5, 2019 Istanbul - TURKEY

TCMA | TURKISH CAPITAL MARKETS ASSOCIATION











Presenting memento to
Dr. Alp Keler, CFA, Ph.D. (Chairman, TCMA)



Presenting memento to
İlkayArikan (Secretary General, TCMA)

International Council of Securities Associations (ICSA) Mid-year Meeting (Members Only)









SEMINARS & EVENTS CONDUCTED BY BBF FOR THE PROGRESS OF STAKEHOLDERS OF CAPITAL MARKETS

INDIAN MARKETS - THE WAY FORWARD (16th April)

CHIEF GUEST | **Arvind Sawant** (Member of Parliament, Shiv Sena Deputy Leader & Spokesperson)

Milind Deora (Mumbai Congress President, Former Member of Parliament, Former Minister of State for IT, Telecom & Shipping)

MODERATED BY | **Govindraj Ethiraj** (Financial Journalist & Founder BOOMLive.in and IndiaSpend.org)





Alok Churiwala (Former Vice-Chairman - BBF addressing the gathering)









Ashishkumar Chauhan (presenting mementos to dignitaries)







Uttam Bagri (presenting mementos to dignitaries)





Kamlesh Shroff (presenting mementos to dignitaries)





All India Seminar on Surveillance Measures including GSM/ASM (With BSE Ltd.)





Hyderabad, 16th April





Chennai, 30th April





Seminar on Operational aspects of interoperability between Clearing Corporations (With BSE Ltd.)



Mumbai, 6th May





SEMINARS & EVENTS CONDUCTED BY BBF FOR THE PROGRESS OF STAKEHOLDERS OF CAPITAL MARKETS

All India interactive session on FATCA and CRS compliances



Mumbai, 9th May





Chennai, 9th May



BBF - INVESTOR EDUCATION AND AWARENESS INITIATIVES

Study Visit from Macquarie University | Australia (26th May)





Study Visit form Otto Beisheim School of Management | Germany (7th May)





SENSEX 40000 (23rd May)









Stock Broking post interop - A back-office and compliance perspective (23rd May)



NISM - Exposure visit to BSE for 35 Newly recruited SEBI Officers (27th May)





Auth Security Workshop at UIDAI Regional Office, Mumbai (11th June)




BBF Governing Board Meeting (For the month of June) at MCX Boardroom (12th June)





All India Seminar Cyber Security & Cyber Resilience framework for Stock Brokers / Depository Participants | Kolkata (13th June)




BBF participates in BLOOD DONATION CAMP organized by BSE LTD. In association with NAIR HOSPITAL (BSE ICH | Mumbai, 16th July)



Academic Counselling Meet At Auro University | Surat (24th June)



Cyber Security & Cyber Resilience framework for Stock Brokers / Depository Participants (with BSE Ltd.) | Ahmedabad (4th July)





Interactive session on NRI and FPI Investments in Indian Stocks: Applicable Foreign Exchange and Tax Laws | BSE ICH (4th July)



Anup Gupta (BBF - Governing Board Member) presenting a memento to Kishore Joshi (Leader, Regulatory Practice, Nishith Desai Associates)



Richie Sancheti (Leader, Investment Funds Practice, Nishith Desai Associates) co-presenting

Discussion on Union Budget 2019 | BSE ICH (5th July) • Industry Partner: BBF



BBF Governing Board Meeting | Metropolitan Stock Exchange (MSE) Boardroom | Mumbai (3rd July)





Cyber Security & Cyber Resilience framework for Stock Brokers Depository Participants (with BSE Ltd.) | Delhi (25th July)





BBF - Policy Group Meeting | Hotel Sahara Star | Mumbai (26th July)









SEMINARS & EVENTS CONDUCTED BY BBF FOR THE PROGRESS OF STAKEHOLDERS OF CAPITAL MARKETS

BBF - Policy Group Meeting | Royal Bombay Yacht Club | Mumbai (23rd August)







7th Seminar of BSE - PIF Financial Sector Policy Series: Volume II Towards a USD 5 Trillion Economy | BSE | Mumbai (28th August)









Uttam Bagri (Chairman, BBF) addressing

Bombay Stock Exchange Brokers' Forum (BBF) signs MoC with AV Financial Experts Network Private Limited (FinX) | 12 September 2019, Mumbai

Bombay Stock Exchange Broker's Forum (BBF) & AV Financial Experts Pvt Ltd. (FinX) have decided to collaborate amongst each other and engage closely with BFSI Industry bodies, BFSI companies, educational institutions & related organisations in building & fostering a sustainable eco-system for better employability & employment opportunities in the capital markets. This initiative will work towards attracting quality talent and enhancement of skills for the members.



Uttam Bagri (Chairman-BBF) with Himanshu Vyapak (CEO-FinX)







(L-R) Upasana Koul (COO-FinX), Himanshu Vyapak, Uttam Bagri, Dr. Vispi Rusi Bhathena | PhD (h.c.) (CEO-BBF), Ujwal Damani (Associate Director-BBF)

BBF DIWALI DINNER &

ANNUAL GET-TOGETHER 2019





























BBF DIWALI DINNER & ANNUAL GET-TOGETHER 2019



















Dr. Vispi Rusi Bhathena (CEO - BBF)



Uttam Bagri - Chairman | BBF welcoming the guests



Ashishkumar Chauhan - MD & CEO | BSE Ltd.



Vikram Limaye - MD & CEO
National Stock Exchange of India Ltd. (NSE)



Nehal Vora - MD & CEO
Central Depository Services Ltd. (CDSL)



G. V. Nageshwara Rao - MD & CEO
National Securities Depository Limited (NSDL)



Vijay Bhushan (President - ANMI)



Alok Churiwala - Former Vice-Chairman | BBF

BROKERS FORUM

BBF DIWALI DINNER & ANNUAL GET-TOGETHER 2019

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SMILE FOUNDATION



Smile Foundation's Mission Education programme has provided holistic education, nutrition and healthcare to more than 200,000 underpriviledged children so far

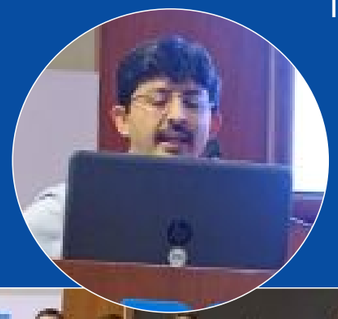
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or call +91 8692868508 | www.smilefoundation.org | smilefoundationindia.org

Seminar on Contemporary Issues in Compliances | At BSE ICH, Mumbai
Tuesday, September 24, 2019







(L-R) Lalit Mundra - Treasurer | Bombay Stock Exchange Brokers' Forum (BBF), Kishor Kansagra - Governing Board Member | Bombay Stock Exchange Brokers' Forum (BBF), Harin Mehta - Secretary | Bombay Stock Exchange Brokers' Forum (BBF), Uttam Bagri - Chairman | Bombay Stock Exchange Brokers' Forum (BBF), Richi Savala - Asst. Manager | NSDL, Yogesh Parve - Sr. Manager | NSDL, Dr. Dinesh Kumar Soni - Senior Vice President | NSE, Amit Jindal - Vice President | NSDL, Gopalkrishnan Iyer | BSE Ltd., Srijith Menon - Chief Manager | NSE, Mahesh Agal - Deputy Manager | NSE, Vishal Patelia - Sr. Manager | MCX, Satish Muley - SVP-Inspection and Enforcement | NCDEX, Kaustubh Mundada - Sr. Manager | NCDEX, Mahendra Choudhari - AVP | MSEI & Meya Bhelekar - Asst. Manager | MSEI

World Investor Week 2019 | September 30 to October 6, 2019
Release of Booklet on Securities Market | At BSE ICH, Mumbai | Friday, October 4, 2019



C. Vasudevan | Head, IPF - BSE Ltd. welcoming the gathering



Ashishkumar Chauhan MD & CEO - BSE Ltd.



Nehal Vora | MD & CEO - Central Depository Services Ltd. (CDSL)



G. Mahalingam Whole-Time Member Securities and Exchange Board of India (SEBI)



(L-R) C. Vasudevan, N. Hariharan (CGM-SEBI), Ashishkumar Chauhan, G. Mahalingam, Nagendraa Parakh (ED - SEBI), Nehal Vora , Navnitlal Bhatia

BBF presence at UDAAN - BSE Members Conference (October 11 - 13, 2019)

The Inaugural | Friday, Oct 11 | Trident Hotel - Bandra Kurla Complex, Mumbai

Panel Discussion - Interoperability: The Game Changer
(Equity / Equity Derivatives / Currency Derivatives / Commodities)
Saturday, Oct 12 | Trident Hotel - Bandra Kurla Complex, Mumbai



BSE - LAKSHMI POOJAN & MUHURAT TRADING 2019

Sunday, October 27 | At BSE ICH, Mumbai

Actor Rajkummar Rao ringing the opening bell at the Muhurat trading session - SAMVAT 2076

(Centre) Mouni Roy (Indian film and television actress)

Rajkummar Rao (Indian actor) at BSE Bull

ET EconomicTimes.com

A TIMES INTERNET INITIATIVE

ET Markets GLOBAL SUMMIT 2019

22 November 2019
Sahara Star, Mumbai

PARTNER

BROKERS FORUM



Nikunj Dalmia (Managing Editor, ETNOW) and Mark Mobius (Founder, Mobius Capital Partners LLP)



Nikunj Dalmia (Managing Editor, ETNOW) and Prashant Jain (ED & CIO, HDFC AMC)



S. Naren, CIO, ICICI Prudential AMC

Bijoy Sankar Saikia (Editor, ETMarkets.com) | Ashishkumar Chauhan (MD & CEO, BSE Ltd.) | Nikhil Kamath (Co-founder & Chief Investment Officer, Zerodha) | R Venkataraman (MD, IIFL Securities Ltd.) | Shiv Sehgal (President and Co-Head, ICG, Edelweiss Global Investment Advisors) | Uttam Bagri (Chairman, Bombay Stock Exchange Brokers' Forum (BBF))

BROKERS FORUM

SEMINARS & EVENTS CONDUCTED BY BBF FOR THE PROGRESS OF STAKEHOLDERS OF CAPITAL MARKETS (APRIL 2019 - MARCH 2020)

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Westmont College | California, USA (November 6)





BBF Governing Board Offsite Meeting 2019 (Hotel Deltin, Daman | November 23-24)







Blood Donation Camp organized by BSE Ltd. and HDFC Bank (December 5)



All India training program and demo by NSDL on e-KYC Authentication at Mumbai, Ahmedabad, Delhi, Kolkata and Chennai (December 20, 2019)


Mumbai


Kolkata


Chennai

Refresher course on Financial Mathematics funded by RUSA for UGC HRDC for UG and University of Mumbai | At BBF (December 26, 2019)

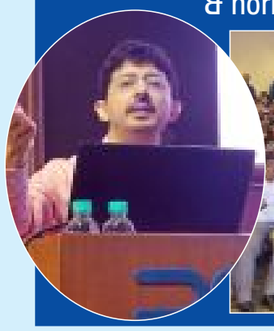








Compliance Seminar with focus on new Cash Market margin - procedure & norms, Tomorrow | BSE, ICH, Mumbai (December 27, 2019)







Movie screening for BBF Members | Hindi Movie: "Good Newwz" (January 3, 2020)





ZEE BUSINESS BSE BULL RUN 2020

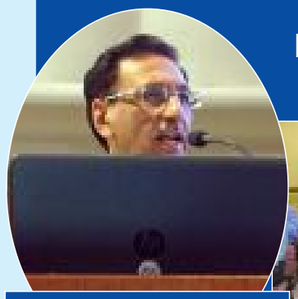
Sunday, 12th January 2020







Seminar on Portfolio Management / Investment Advisors - Recent Regulatory Developments / Challenges | BSE, ICH, Mumbai (January 20, 2020)



Speaker: Bhavesh Vora (Sr. Partner, BY & Associates Chartered Accountants)





12 session comprehensive GST training program | BBF Conference Room (January 21, 2020 to February 3, 2020)





Session for National Institute of Financial Management | BKC, BSE Office (January 23, 2020)





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