

FORUM VIEWS

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MR. INVEST RIGHT'S GOOD INVESTING PRACTICES

YOU COULD FACE FINANCIAL LOSSES IF YOU DEAL BASED ON RUMOURS AND TIPS.

Messages with tips, frequently received via SMS and social media, are often circulated by dubious sources with ulterior motives. Make it a point to always invest in stocks only after doing a thorough research on the company.

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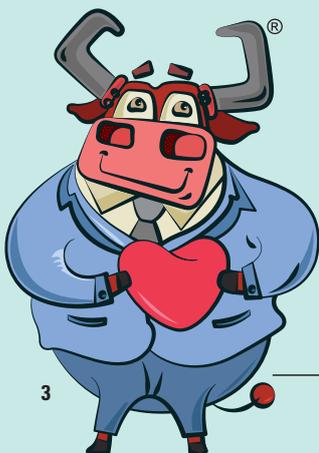
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Aparna Garg

- A well established chef and owner of Food Dehydration Company in Jaipur. She has served over 30,000 meals to daily wage workers and 1200 kg food to animals in the pandemic.

➤ Her message to people:



"Do whatever you are capable of and help others. It is very difficult to establish hope and faith among people and you get very few chances to do so and this is that time when you need to speed up and grab all your efforts and together work for the entire community."



Sujata Choudhary Rampuria

- A home-chef from Park Street, Kolkata, is feeding Covid-19 patients in her locality. She cooks lunch and dinner and gets them delivered to the Covid patients free of cost.

➤ Her message to people:



"It's not the number but quality of help that matters. If you can help even one family that's more than enough. I think if you are helping someone then even get your children involved in it and this way we are actually working towards building a better future."



Sujata Rampuria

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Dr. V. Aditya Srinivas
Chief Operating Officer
and Chief Economist

FROM THE

The Indian economy and the stock markets seem to have a disconnect with each other as on one hand the consumer sentiments seems to be hit hard by the COVID-19 and on the other hand the stock markets made all time high.

Consumer sales and sentiments has been severely hit by the 2nd wave of COVID-19

AC sales hit: The month of May saw Rs. 22000 crore losses to the Air conditioner markets which used to do very high business in May due to the heat wave in the country. This time due to second wave of Covid, consumers have preferred not to spend money on discretionary items as they preferred to save money.

BBF SECRETARIAT

Auto Vehicles: The auto sector also saw sales coming down by 50% from 2,86,728 units sold in April 2021 to just 1,03,000 in May 2021. People postponed their buying decision as sentiment is hit due to rise in cases and economic uncertainty.

Mobile sales down: Smart phones fell by more than 50% in the month of May 2021 as consumers preferred to save money and postpone the discretionary spending.

RBI monetary policy support: The RBI has kept the interest rates on hold as it feels that still the economy needs lower level of interest rates for the demand and consumption to pick up. Though RBI has supported the economy by extending the loan restructuring amount from Rs. 25 crores to Rs. 50 crores loans.

Stock markets at all time high: The Indian stock markets made all time high as the flows from the foreign investors continued. Though the valuations seem to be higher but then future growth prospects of the Indian economy seems to be fuelling the growth of the markets. The FIIs so far in 2021 have invested Rs. 57000 crores in the Indian markets.

**BBF CONDUCTED 30 WEBINARS
TOWARDS INVESTOR EDUCATION
AND AWARENESS INITIATIVES
WHICH WERE ATTENDED BY OVER
1200 PARTICIPANTS.**

GLOBAL INSIGHTS



Why is finding your calling or purpose so important?

Regardless of what line of work you are in, if you feel called to do that work, if it is something that stirs your soul, if there is goodness in it for others, you will always be successful. Our vocations are not a destination it is our life's own unique journey.

DAWN AIRHART WITTE

Founder/ Director

The Desire to Inspire Foundation
(California, United States)

(Entrepreneur, author, award winning international speaker and philanthropist)

DISCOVERING YOUR UNIQUE PURPOSE

Several years ago I learned that the word “Vocation” comes from the Latin root word *vocare*, meaning “to call.” In Old French *vocation* means a “spiritual calling.” An *avocation* means something you do because you love it. While I used to believe that our vocation was just a job or work, I now see it is something else. Something much more profound and far deeper than any job, degree, certificate, or title. Our calling is something we were born to do. It is our very reason for existing.

Why is finding your calling or purpose so important? Regardless of what line of work you are in, if you feel called to do that work, if it is something that stirs your soul, if there is goodness in it for others, you will always be successful. Our vocations are not a destination it is our life’s own unique journey.

One of my favorite quotes about what success means is by philosopher, poet, author, and essayist Ralph Waldo Emerson. He has written: “To laugh often and much; To win the respect of intelligent people and the affection of children; To earn the appreciation of honest critics and endure the betrayal of false friends; To appreciate beauty, to find the best in others; To leave the world a bit better, whether by a healthy child, a garden patch, or a redeemed social condition; To know even one life has breathed easier because you have lived. This is to have succeeded.” This is how I define success and if we could all use our individual skills, talents and gifts to help lift ourselves while lifting humanity then we can BE the change we wish to see in the world.

Some questions to ask ourselves to help us identify our purpose:

- What do I hold most dear? Is my calling in alignment with what I hold dear?
- Does this move my soul?
- Will this further my personal growth?
- Do I need help from a higher power?
- What excites and energizes me? What am I passionate about?
- What could I spend hours doing just for fun?
- What are my special gifts, skills, and talents?
- How can I use these talents to be of service to others?

We all have challenges and face struggles in life. One of the things 2020 has demonstrated is that we cannot control our circumstances, but we have a choice in who we choose to BE. “What if we all chose to be what we choose to see in the world? What would we see?” Imagine if everyone chose to come from a place of love, where helping one another and kindness were their own currency. A place where we all understood that we are all in this together, and that there is far more we can accomplish by joining forces rather than existing only for ourselves. This world may sound like a fanciful utopia, but it doesn’t have to be. We all have the power, within ourselves, to make the world a brighter, more hopeful place.



THE SECRET TO HAPPINESS IS NOT MUCH OF A SECRET AT ALL. MANY GREAT THINKERS AND LEADERS UNDERSTOOD THIS. WE REMEMBER THE WORDS OF PEOPLE LIKE BUDDHA, JESUS, MOTHER TERESA, SOCRATES, PLATO, MARTIN LUTHER KING JR., GANDHI, AND SO MANY OTHERS, BECAUSE THEY LIVED LIVES OF LOVE FOR ALL OF HUMANITY.



The secret to happiness is not much of a secret at all. Many great thinkers and leaders understood this. We remember the words of people like Buddha, Jesus, Mother Teresa, Socrates, Plato, Martin Luther King Jr., Gandhi, and so many others, because they lived lives of love for all of humanity. They understood universal truths and lived their lives inspiring others through their words and their deeds. This is why we know their names. This is why we remember and revere them, long after they have departed from this earth.

When this life ends, as it will for all of us one day, what will we be remembered for? What memories do we want those who love us to hold and cherish? How many

lives will we have touched while we were here? Will we have touched those lives in love or in something else? What am I going to put out into the world? These are questions worthy of asking. Because these are the questions that will help guide us in a world that does not provide all of the answers to us in an easy instruction manual on how to be happy and fulfilled while being of service to humanity.

There is no question that we cannot receive without giving. I also understand that helping others nourishes the soul. I will continue to look at the world through my love-colored lenses. It is a very beautiful world, and I love every moment-even the difficult ones. Strive to BE these seven words every single day; love, happy, grateful, strong, inspired, genuine, and kind. Some days we may feel like we do not have the energy to be even one of them but try anyway. When we give a little bit of ourselves to others each and every day, expecting nothing in return, what we find is that there is in fact a return-a very large and beautiful return in your heart. It works. It really does.



OUR SOUL PRINT IS SOMETHING THAT ONLY WE CAN BRING TO THIS WORLD. I USED TO THINK OF IT AS A RESPONSIBILITY THAT WE SHARE OUR UNIQUE GIFTS WITH THE WORLD, BUT NOW I UNDERSTAND THAT IS OUR PRIVILEGE AND AN ADVENTURE TO BE ABLE TO DO SO FOR OURSELVES AND FOR THE WORLD.



Our hearts and souls know what is for our highest and greatest good. When we take the time to really follow where those inner yearnings and pulls to where our heart is leading us, we will find our path, for ourselves and the greater good. Do not be afraid to take risks and challenges because therein lies our greatest growth. On the other side of the “scary” things are where we will find the most tremendous of rewards. Failure only exists if you give up. When we consider challenges, hurdles, or

obstacles as something to overcome, they cannot deter us. When we are so steeped in our calling and purpose, giving up is never an option.

These questions and my seven BE words can help guide you into finding your own unique calling and special purpose. Just like we each have an individual fingerprint that is not like any other, so too is our “Soul Print.” Our Soul Print is something that only we can bring to this world. I used to think of it as a responsibility that we share our unique gifts with the world, but now I understand that is our privilege and an adventure to be able to do so for ourselves and for the world.

Dawn Airhart Witte, A Entrepreneur, author, award winning international speaker and philanthropist she has a mission: to inspire people around the world to find their purpose and live it! She is a certified life coach and the founder of the Desire to Inspire Foundation, a non-profit organization that connects with communities around the world to break cycles of extreme poverty. Dawn has also penned several books, including Be... which imparts an important message about perseverance, purpose and putting kindness out into the world.

Though she’s involved in many projects, Dawn’s most proud of her role as a mom to two daughters. Nurturing their hearts and spirits drives a deep desire to do the same for children everywhere. And Dawn is doing exactly that through Desire to Inspire and purposeful trips around the world providing much-needed assistance in the form of clean water, education, clothing, food, books and love. It was after her first trip to Africa that Dawn fell in love with the community there and saw for the first time what she wanted her life’s work to be.

Today the foundation is in the process of building two community centers that will combine real world training with transformational life coaching principles to help people discover and use their talents to support themselves, their families, and communities.

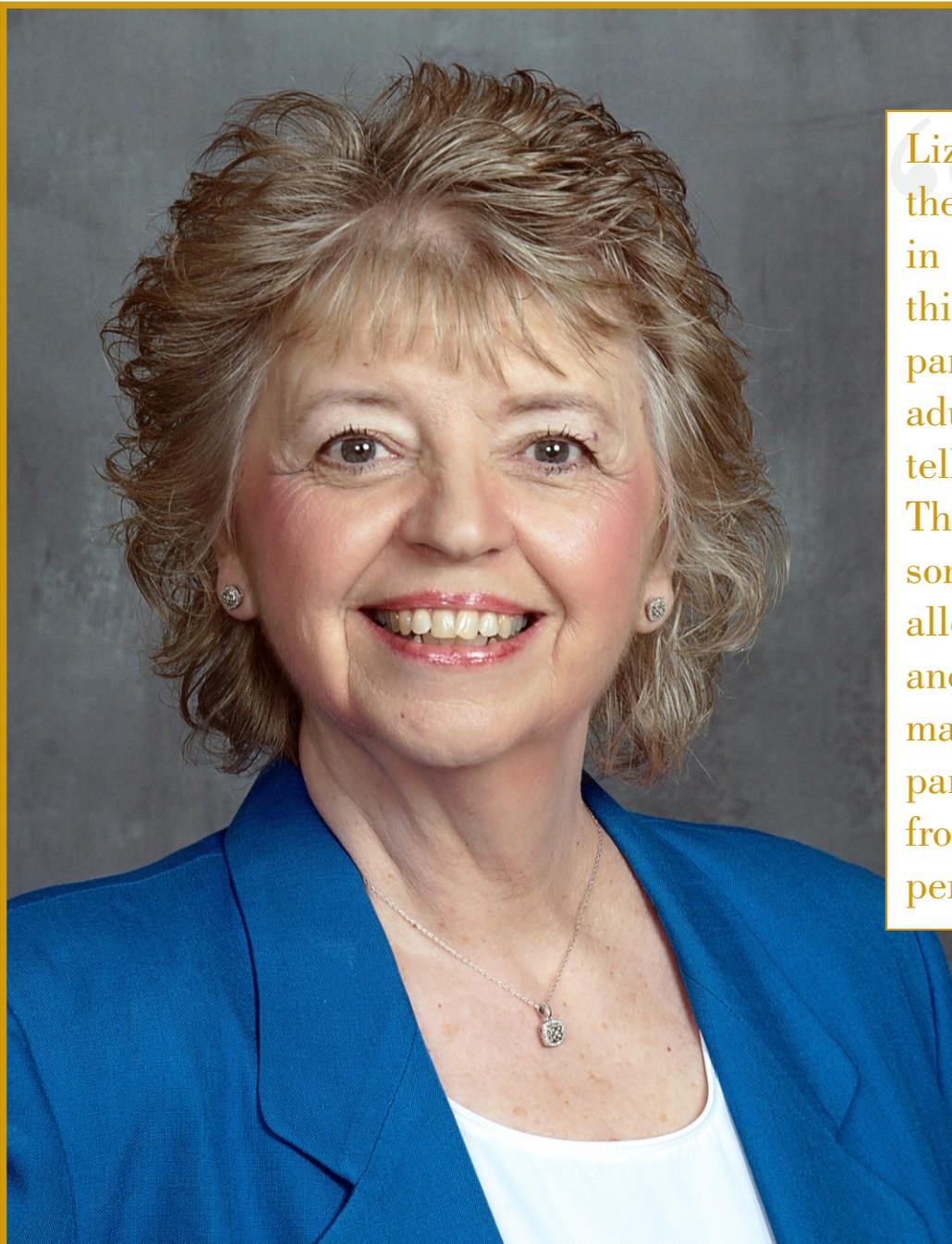
Prior to following her passion to improve the world, she held a number of leadership positions. She served as PTA President, NCL-LA Founder Chapter President, Court Appointed Special Advocate (CASA), Big Sister, Public Works Commissioner for the City of La Canada Flintridge, and many others. She attended Cornell University and earned certification in Animal Assisted Therapies from Harcum College. Dawn recently received an Honorary Doctorate in Humanitarianism from the Global International Alliance. She is the 2021 Women of Achievement Ms. Elite Southern California titleholder and a member of the USA Ladies of All Nations International (LOANI) group for California. Through each experience, she has learned a great deal about leadership and the importance of inspiring people to greatness. She also serves as an honorary member of the Della Leaders Club and was recently awarded the “100 Most Successful Women in Business” award by the Success Women in Business and the Global Trade Chamber.

She is regularly featured across all forms of media, including MTVRock.com, iHeartRadio, Well World TV, The Balance Doctor, The Naked Truth Podcast, Nora Gouma Magazine, Writersinterviews.com, the BS3 Sports and Music Show, Indie Music Discovery, Arainofthought.com and more.

In addition to helping others through coaching and her foundation, she is currently working on her “Be...” books and Be Line Products (www.thebelineproducts.com) as well as her “Recipes for Being” series (www.recipesforbeing.com). She is also raising money for her “Paths to Purpose” sustainability projects in Africa.

No matter the challenge, Dawn believes in Pamela Leo’s words, “Children need at least one person in their life who thinks the sun rises and sets on them, who delights in their existence, and loves them unconditionally.”

GLOBAL INSIGHTS



Liz's heart ached for the children caught in the clutches of this terrible pandemic with only adult news reports to tell them the story. They needed something to alleviate their fears and to educate about managing the pandemic safely, from a child's perspective.

LIZ (MAMALIZ) FRANKLIN
Author and Public Speaker
(Knoxville, Tennessee, United States)

COVID RUNS WILD-TIGER TRAINING A VIRUS HOW A LITTLE BOOK SPREAD ACROSS THE GLOBE

American author and speaker Liz Franklin, internationally known as MamaLiz, wanted to make a difference this April when she saw that India was exploding with the new Delta strain of COVID-19. It would not be the first time-in March of 2020, when the pandemic first began spreading worldwide, she launched a philanthropic initiative of free e-books to help children learn how to fight COVID-19. This year, as countries distributed vaccines and the situation began improving worldwide, her initiative had quietened. America was even preparing to return to everyday life. But suddenly, India was in a dire situation! Liz's heart moved with compassion for the Indian people, especially the children, and she wanted to write a new e-book explicitly designed for their situation. However, a major problem stood in her way-she had just taken a massive blow to the head and received a concussion.

Though Liz had written numerous children's books about COVID-19 in the last year, not one fit India's unique situation. To gain insight on how to communicate both the seriousness of the problem and the importance of proper responses, Liz contacted an official in India, whose directives matched past recommendations. For example, self-isolating at home, practicing social distancing, and wearing masks when outside the home. As she realized, the message needed a new twist. India's children had faced lockdowns before, and likely were tired of the same old messages, though the threat remained. They needed a reason to keep doing the right thing and help their country overcome the new strain, which is how her book could help. She tried to create new ideas or pull material from an older book but found the creative process exhausting because of the concussion. Just when it seemed like writing a new book was impossible, compassion found a way.

One morning, she awoke with an idea-tigers! The day before, a connection on LinkedIn had shared an online video of a wild tiger in India. Dangerous and ferocious, tigers prowl around, unseen until it is too late for their prey. The dots connected. "What if I write a book to equate the danger of COVID-19 with a tiger?" she thought. After a bit of research, Liz discovered that when tigers sometimes turn into man-killers, the villages shut down and no one goes to school or work-a perfect metaphor of the pandemic in India at that moment. COVID-19, particularly its Delta strain, was prowling around the Indian cities and villages like a tiger! The lightbulb went on and Liz got to work, penning the first words of a COVID tiger story.

With all the pieces now in place, and countless experiences of writing other COVID books, she finished the book quickly. She searched for suitable illustrations, prepared an English e-book, and released it on LinkedIn, and shared it all over India. Knowing the diversity of languages in India, Liz wanted it translated into at least the country's major languages. Volunteers began to rise, and she released a Hindi version in only a few days. One young translator fought through the aftermath of a tropical cyclone as well as a case of COVID-19, to provide translations of this book for his country. A teacher translated the book into Tegulu, and shared it with other teachers, who shared it with their students. She read the book to her 7-year-old daughter, who started singing "Happy Birthday" every time she washed her hands. Later, she even filmed a video of singing while washing her hands and sent it to all her friends. The tiger book was beginning to impact people across India, directly and indirectly.

However, the book had only begun impacting people, and it would soon spread to other countries. On the other side of the globe, a man in Peru saw the tiger story on LinkedIn. Since Peru was also in a dire situation with COVID-19 deaths, he asked to send the tiger book to children and school systems in his country and he also offered to translate it into Spanish. However, Liz found that tigers are not in Peru, so the children would not understand the danger in the same way. So, Peru's big cat, the puma, took the tiger's place. After a little revising, Liz created a customized puma book for Peru. Soon, a volunteer in Brazil offered to translate it to Brazilian Portuguese. Then, a teacher from Haiti volunteered to translate it to Haitian Creole! Finally, Liz learned that Africa was on alert for the Delta strain of COVID-19 as well, so she revised the book one more time, replacing the puma with the lion.

Whether it is India and their tigers, Peru and their pumas, or Africa and their lions, or even Haiti who had only seen the danger of big cats in the movies, this little book has made its way around the world. As part of the next step to spread its reach, children in each country are filming videos of themselves reading the book in their own language, to release on MamaLiz's YouTube channel. That way, they can help their peers around the world be real tiger, puma, and lion COVID trainers. They will help save cities, towns, and villages all over the world!

Now that you have heard about the little book that is spreading globally, you may be wondering, who is this MamaLiz? Liz Franklin, affectionally known as Mamaliz, is a former financial planner and business owner. After almost dying at the age of twenty-eight, her life mantra

became "Live every day as if it is your last." With her new awareness of time, Liz began to teach about prioritizing time. In 1997, she left her financial planning practice to dedicate her life to empowering youth. Liz founded and managed a music training center for youth with her late husband for two decades. She also began writing books and speaking to raise a thriving generation by imparting time, success, and life principles. She was writing a new two-book success book for college, teenagers, and children when her work came to an abrupt stop in March 2020, as COVID-19 invaded the world.



AS INDIA MOVES INTO DIFFERENT PHASES OF THIS PANDEMIC, REST ASSURED YOUR CHILDREN CAN BE PREPARED AT ANY STAGE.



In early 2020, Liz connected to Ilario Tariello just as COVID-19 was at its peak devastation in his country of Italy. Mr. Tariello had discovered a new science realm and used it to assist virologists in their COVID-19 research. Through their discussions of his science, Liz had heard his accounts of the terrible lockdown and death tolls in Italy, and she wanted to protect her own country from the same fate.

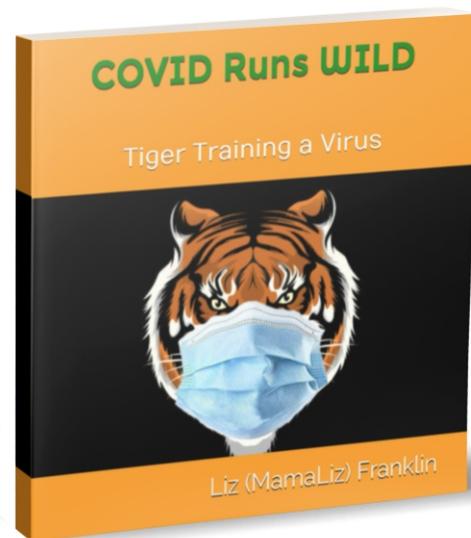
Liz's heart ached for the children caught in the clutches of this terrible pandemic with only adult news reports to tell them the story. They needed something to alleviate their fears and to educate about managing the pandemic safely, from a child's perspective. She decided to create a book just for them. With the help of Ilario and Serena Tariello and her daughter, Anna Franklin, Liz released the very first children's COVID-19 free e-book in February of 2020, a kid's guide to defeating aliens-operation covid-19. It moved children from fear of this virus to feeling empowered to stay safe in a pandemic. Translators volunteered from all over the world to translate the book into their languages. Media, television, podcasters, radio hosts, reviewers, and magazines shared the little book worldwide to help the world's children. The book touched over seventy nations in 25 different translations.

Liz wrote three more free e-books in 2020, also translated into several languages. COVID OPS-2: Random Acts of Kindness, to help children take their eyes off themselves and express gratitude to the front-line workers who served them during the pandemic. COVID OPS3: Going Back Out into the World gives the children a glimpse of the retail world of social distancing, plastic shields at registers, and

limitations on numbers shopping in stores. At Christmas in America, children needed assurance that holiday traditions can be altered to remain intact even in the middle of a pandemic. Hence, Liz wrote, The Year COVID Tried to Steal Christmas. With COVID-19 on the downswing in America, and schools starting back soon for America, Mexico, Italy, and other countries around the World, Liz has a new book coming soon, Sarah Goes Back to School- Is It Safe with COVID? And for the children who remain in lockdown for yet another school year, Liz hasn't forgotten them; COVID Closed Sarah's School- Can I Learn Online? will be coming out soon as well. All these children's COVID empowerment books are free e-books for all the children of the world.

As India moves into different phases of this pandemic, rest assured your children can be prepared at any stage because this big-hearted woman from America gave away a year of her life to empower the children of the world against COVID-19.

Her plans for the new success books for children, teenagers, college, and graduates, Time 2 Thrive and Taming the Time Monster, include a Hindi translation. Downloads for the free covid e-books for children are available at www.lizfranklin.com or on Linked In at <https://www.linkedin.com/in/mamaliz-%E2%9D%A4-liz-franklin-43645956/>.



Liz (MamaLiz) Franklin is an author and public speaker from Knoxville, Tennessee in the United States. She is a former financial planner who now dedicates her life to empowering children and teens to greatness through books, workshops, and speaking events. She heads a non-profit to foster initiatives for children and teens worldwide.

She has been recognized in America's Top 2000 Women, World's Who's Who of Women, Notable American Women, Who's Who of Professional and Business Women, Five Hundred Leaders of Influence, and many others.

She has served as an ambassador for The Top Person and an ambassador and contributing author for magazines POWER TALKS WITH ARCHANNA and POWER KIDS WITH ARCHANNA in India. Indian blogger Kanchan Choudhary featured MamaLiz in an article in SMILE TO SHINE on American Business Women's Day, 2021. She was also a keynote speaker for Jai Hind College in Mumbai in February 2021.

ASIA-PACIFIC MARKETS MONTHLY HIGHLIGHTS AND INSIGHTS

S&P Global Market Intelligence

Key findings:

- **M&A Activity By Country, Sector**
- **Initial Public Offerings**
- **Private Equity Investments And Buyouts**
- **Venture Capital Investments**
- **Market Attributes: Index Dashboard**

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M&A ACTIVITY IN ASIA PACIFIC: SELECTED COUNTRIES

In May 2021, China dwarfed the other countries in APAC in number of M&A deals (248), and Australia led the table with the highest deal values (US\$ 20bn). In YTD 2021, Taiwan saw the highest YoY growth in total number of deals followed by Philippines. Japan witnessed the most significant YoY growth in total deal value with 2,588%, followed by South Korea (1,362%).

No. of Deals and Value by Country/Region (May'21)

Country	No. of Deals	Value of Deals (\$USDmm)
China	248	8,756.70
Australia	144	19,583.60
Japan	106	4,088.10
India	67	1,958.50
South Korea	63	1,521.80
Vietnam	29	50.90
Hong Kong	27	320.70
Malaysia	26	546.70
New Zealand	17	180.10
Singapore	17	522.80
Taiwan	16	141.20
Indonesia	15	237.10
Thailand	15	206.30
Philippines	8	473.00

No. of Deals and Value YTD Activity (20' vs. 19')

	No. of deals			Value of Deals (\$USDmm)		
	20 YTD	19 YTD	YoY Growth	20 YTD	19 YTD	YoY Growth
	Jan 1, 2021 - May 31, 2021	Jan 1, 2020 - May 31, 2020	YoY Comparison Through May 31, 2021	Jan 1, 2021 - May 31, 2021	Jan 1, 2021 - May 31, 2021	YoY Comparison Through May 31, 2021
China	1,397	1,023	37%	79,324	10,391	663%
Australia	694	485	43%	47,015	9,619	389%
Japan	591	557	6%	32,751	1,218	2588%
India	415	299	39%	17,097	28,068	-39%
South Korea	281	246	14%	17,014	1,164	1362%
Vietnam	192	113	70%	1,326	97,549	-99%
Hong Kong	161	143	13%	10,530	950	1008%
Malaysia	152	108	41%	2,307	2,079	11%
New Zealand	91	69	32%	3,204	10,882	-71%
Singapore	134	114	18%	8,161	2,097	289%
Taiwan	53	28	89%	2,255	997	126%
Indonesia	53	44	20%	1,483	13,267	-89%
Thailand	91	86	6%	19,690	170,837	-88%
Philippines	57	31	84%	2,811	976	188%
Total	4,362	3,346	30%	244,967	350,096	-30%

Key	Threshold (No. of Deals)
	0 - 15
	>15 - 50
	>50 - 99
	>99 - 149
	>149 - 198
	>198 - 248

Source: S&P Global Market Intelligence as of June 1, 2021. Figures are based on M&A announcement dates. Includes both closed and pending transactions as well as those without transaction values. Charts are provided for illustrative purposes.

INITIAL PUBLIC OFFERINGS BY COUNTRY

In terms of IPOs in APAC, China ranked the first with 41 new IPOs and US\$ 9bn of IPO value. Thailand showed the biggest YoY growth in the number of IPOs (367%) in YTD 2021. South Korea witnessed an upsurge in IPO value with 103,923% on a YoY basis, followed by Philippines (78,316%).

No. of IPOs and Value by Country/Region (May'21)

Country	No. of Deals	Value of Deals (\$USDmm)
China	41	8,818.20
Australia	12	832.50
South Korea	11	2,388.00
Thailand	6	1,211.80
Indonesia	2	9.30
Hong Kong	1	333.40
India	1	1,050.50
Malaysia	1	18.20
Philippines	1	1,019.10
Japan	0	0.00
New Zealand	0	0.00
Singapore	0	0.00
Taiwan	0	0.00
Vietnam	0	0.00

No. of IPOs and Value YTD Activity (21' vs. 20')

	No. of deals			Value of Deals (\$USDmm)		
	20 YTD	19 YTD	YoY Growth	20 YTD	19 YTD	YoY Growth
	Jan 1, 2021 - May 31, 2021	Jan 1, 2020 - May 31, 2020	YoY Comparison Through May 31, 2021	Jan 1, 2021 - May 31, 2021	Jan 1, 2020 - May 31, 2020	YoY Comparison Through May 31, 2021
China	239	138	73%	40,622	1,404	2794%
Australia	49	12	308%	1,901	603	215%
South Korea	43	15	187%	8,904	9	103923%
Thailand	14	3	367%	2,938	26,984	-89%
Indonesia	16	28	-43%	174	188	-8%
Hong Kong	15	16	-6%	2,221	234	849%
India	32	15	113%	3,987	492	711%
Malaysia	9	13	-31%	343	-	NA
Philippines	2	-	NA	1,294	2	78316%
Japan	31	28	11%	1,927	132	1357%
New Zealand	1	1	0%	245	638	-62%
Singapore	8	8	0%	1,089	2,283	-52%
Taiwan	-	1	-100%	-	5	-100%
Vietnam	1	4	-75%	10	-	NA
Total	460	282	63%	65,655	32,973	99%

Key	Threshold (No. of IPOs)
	0
	>0 - 8
	>8 - 16
	>16 - 25
	>25 - 33
	>33 - 41

Source: S&P Global Market Intelligence as of June 1, 2021. Figures are based on public offerings offer date. Includes all closed transactions. Tables are provided for illustrative purposes.

PRIVATE EQUITY INVESTMENTS & BUYOUTS: SELECTED COUNTRIES

China led the table with 123 PE investments and buyouts and US\$ 4bn. YTD 2021, China was the most active market with deal number of 652 and total deal value of US\$ 39bn. Vietnam saw the highest growth in the value of deals (4,001%) followed by Singapore (2,207%).

No. of Deals and Value by Country/Region (May'21)

Country	No. of Deals	Value of Deals (\$USDmm)
China	123	4,348.30
South Korea	32	1,927.40
Japan	23	154.70
India	20	1,551.50
Singapore	14	748.10
Australia	10	2,701.40
Indonesia	6	215.00
New Zealand	3	36.00
Vietnam	3	401.30
Hong Kong	2	1.70
Malaysia	1	0.00
Philippines	1	29.20
Taiwan	1	0.00
Thailand	0	0.00

Key	Threshold (No. of Deals)
	0
	>1 - 25
	>25 - 49
	>49 - 74
	>74 - 98
	>98 - 123

No. of Deals and Value YTD Activity (20' vs. 19')

	No. of deals			Value of Deals (\$USDmm)		
	20 YTD	19 YTD	YoY Growth	20 YTD	19 YTD	YoY Growth
	Jan 1, 2021 - May 31, 2021	Jan 1, 2020 - May 31, 2020	YoY Comparison Through May 31, 2021	Jan 1, 2021 - May 31, 2021	Jan 1, 2020 - May 31, 2020	YoY Comparison Through May 31, 2021
China	652	375	74%	38,503	33,525	15%
South Korea	115	73	58%	7,130	6,068	17%
Japan	140	161	-13%	5,907	7,302	-19%
India	137	97	41%	6,900	5,319	30%
Singapore	48	31	55%	6,281	272	2207%
Australia	39	51	-24%	5,670	2,878	97%
Indonesia	19	12	58%	549	217	153%
New Zealand	9	6	50%	341	221	55%
Vietnam	10	6	67%	531	13	4001%
Hong Kong	10	6	67%	1,896	113	1580%
Malaysia	5	4	25%	0	47	-100%
Philippines	6	2	200%	464	132	252%
Taiwan	5	2	150%	74	23	229%
Thailand	2	3	-33%	3	41	-93%
Total	1,197	829	44%	74,249	56,170	32%

Source: S&P Global Market Intelligence as of June 1, 2021. Figures are based on M&A announcement dates. Includes both closed and pending transactions as well as those without transaction values. Tables are provided for illustrative purposes.

VENTURE CAPITAL INVESTMENTS: NON BUYOUTS BY COUNTRY

In May 2021, China remained the most active VC investments market in the region with 185 deals and US\$ 5bn deal value. Malaysia witnessed the highest number of deals from in YTD 2021. Japan saw the most significant YoY growth in the value of deals (11,494%) followed by Singapore (10,604%).

No. of Deals and Value by Country/Region (May'20)

Country	No. of Deals	Value of Deals (\$USDmm)
China	185	5,246.30
Japan	43	361.70
India	33	1,148.00
South Korea	25	444.40
Singapore	24	786.50
Australia	15	2,744.30
Indonesia	15	285.90
Vietnam	4	7.30
Hong Kong	3	5.00
New Zealand	3	37.80
Malaysia	2	0.10
Philippines	2	29.30
Taiwan	1	7.00
Thailand	1	1.00

Key	Threshold (No. of Deals)
	0
	>2 - 37
	>37 - 74
	>74 - 111
	>111 - 148
	>148 - 185

No. of Deals and Value YTD Activity (20' vs. 19')

	No. of deals			Value of Deals (\$USDmm)		
	20 YTD	19 YTD	YoY Growth	20 YTD	19 YTD	YoY Growth
	Jan 1, 2021 - May 31, 2021	Jan 1, 2020 - May 31, 2020	YoY Comparison Through May 31, 2021	Jan 1, 2021 - May 31, 2021	Jan 1, 2020 - May 31, 2020	YoY Comparison Through May 31, 2021
China	949	532	78%	39,425	5,018	686%
Japan	258	246	5%	5,578	48	11494%
India	243	215	13%	6,596	5,012	32%
South Korea	102	72	42%	3,749	43	8529%
Singapore	83	74	12%	6,326	59	10604%
Australia	46	57	-19%	5,277	152	3380%
Indonesia	45	43	5%	773	39	1899%
Vietnam	14	15	-7%	141	-	NA
Hong Kong	18	17	6%	1,969	320	516%
New Zealand	10	9	11%	356	1,382	-74%
Malaysia	9	5	80%	119	125	-5%
Philippines	5	3	67%	283	1,739	-84%
Taiwan	6	4	50%	83	15	449%
Thailand	4	6	-33%	7	39,601	-100%
Total	1,792	1,298	38%	70,681	53,553	32%

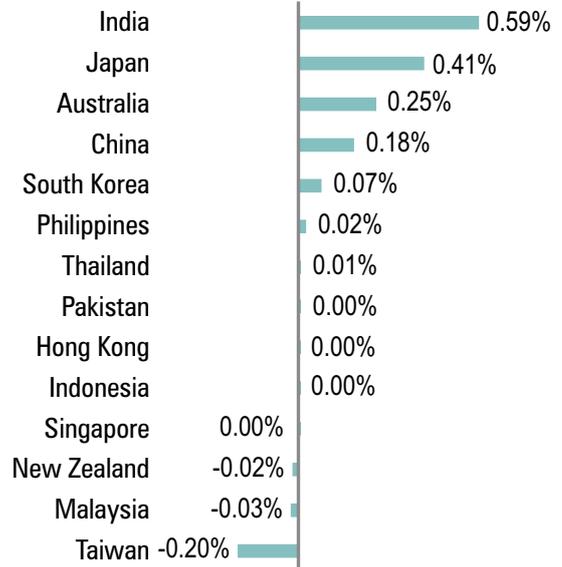
Source: S&P Global Market Intelligence as of June 1, 2021. Figures are based on transaction announcement dates. Includes both closed and pending transactions as well as those without transaction values. Non-buyouts will include all features except for leverage buyouts (LBO), management buyout or secondary LBO. Tables are provided for illustrative purposes.

MARKET ATTRIBUTES: INDEX DASHBOARD

Summary

- Asian equities posted modest gains in May, with the S&P Pan Asia BMI up 1%. Most single-country indices posted gains.
- Value-oriented strategies were the leading factors, India and Australia were the leading countries, and Energy and Financials were the top performing sectors.
- Volatility was mixed across the region, with increases for the HSI Volatility Index and S&P/ASX 200 VIX, and a decrease for the S&P/JPX JGB VIX.
- Commodities posted gains, with Silver and Gold in the lead.
- Performance for Asian fixed income indices was mostly positive.

S&P Pan Asia BMI Country Contribution
May 2021



Source: S&P Dow Jones Indices LLC and/or its affiliates. Data as of May 31, 2021. Index performance based on total return. Numbers in brackets are closing price levels for the corresponding indices. Returns for single country indices and single country strategies are in local currency, otherwise USD. Sector contributions to the S&P Pan Asia BMI are calculated over the prior month. Charts and graphs are provided for illustrative purposes. Past performance is no guarantee of future results. For more information, please visit our website at www.spdji.com

your
questions
answered



SANDIP SHAH

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PORTFOLIO MANAGEMENT SERVICES IN IFSC

1. What is International Financial Service Centre (IFSC)?

An IFSC is a special jurisdiction from where global financial service providers offer financial services / products to global customers in foreign currencies.

In India, the role of an IFSC is to undertake financial services transactions that are currently carried on outside India by overseas financial institutions and overseas branches / subsidiaries of Indian financial institutions.

Gujarat International Finance Tec-City (GIFT City) is India's only approved IFSC located in the city of Gandhinagar, Gujarat.

2. How is an IFSC regulated?

In India, an IFSC has to be approved by the Central Government under the Special Economic Zones (SEZ) Act, 2005 and is also governed by IFSC Authority.

The IFSC Authority Act, 2019 provided for an establishment of IFSC Authority to develop and regulate the financial services market in IFSC in India, which has replaced the Financial Services regulators - SEBI, RBI, IRDAI and PFRDA.

3. What is the key difference between an IFSC unit and a domestic unit?

A unit set up in IFSC is treated as a "person resident outside India" (i.e. non-resident) for exchange control purposes whereas a domestic unit is treated as a "person resident in India". Hence, an IFSC unit enjoys the privileges of a non-resident under exchange control provisions.

4. How are the Portfolio Managers and Investment Advisers regulated in IFSC?

In 2015, the SEBI issued guidelines to facilitate and regulate the securities market in IFSC at GIFT City including the PMS framework in the IFSC. On 09 September 2020, the SEBI issued Operating guidelines for Portfolio Managers (PMs) in the IFSC (Operating guidelines) which provide a framework for setting up PM entities in IFSC and a major boost to Indian wealth management industry. Currently, IFSC Authority regulates and provides license for Portfolio Managers in GIFT IFSC.



A UNIT SET UP IN IFSC IS TREATED AS A "PERSON RESIDENT OUTSIDE INDIA" (I.E. NON-RESIDENT) FOR EXCHANGE CONTROL PURPOSES WHEREAS A DOMESTIC UNIT IS TREATED AS A "PERSON RESIDENT IN INDIA". HENCE, AN IFSC UNIT ENJOYS THE PRIVILEGES OF A NON-RESIDENT UNDER EXCHANGE CONTROL PROVISIONS.



5. What is defined as a Portfolio Manager?

The term 'Portfolio Manager' means a body corporate, which pursuant to a contract with a client, advises or directs or undertakes on behalf of the client (whether as a discretionary portfolio manager or otherwise) the

management or administration of a portfolio of securities or goods or funds of the client, as the case may be. The Portfolio Manager may deal in goods received in delivery against physical settlement of commodity derivatives.

6. Which clients can a Portfolio Manager in IFSC provide services to?

As specified in the SEBI (IFSC) Guidelines, 2015, in order to avail investment advisory or portfolio management services in IFSC, the client shall be:

- a person resident outside India;
- a non-resident Indian;
- a financial institution resident in India who is eligible under FEMA to invest funds offshore, to the extent of outward investment permitted;
- a person resident in India having a net worth of at least US Dollar one million during the preceding financial year who is eligible under FEMA to invest funds offshore, to the extent allowed in the Liberalized Remittance Scheme of Reserve Bank of India.

7. Who can register as a Portfolio Manager in IFSC?

An entity, being a company or a limited liability partnership (LLP), which has the minimum prescribed net worth, can act as a Portfolio Manager in IFSC, in the following forms-

- Any SEBI-registered intermediary (except trading member or clearing member) or its international associates in collaboration with such SEBI-registered intermediary may provide portfolio management services in IFSC, by setting up a branch in IFSC, subject to the prior approval of SEBI.
- Other entities (that is in the form of a corporate or LLP or any other similar structure recognised under the laws of its parent jurisdiction), based in India or in a foreign jurisdiction, desirous of operating in IFSC as a PM, may form a company or LLP to provide portfolio management services. However, the formation of a separate company or LLP shall not be applicable in case the applicant is already a company or LLP in IFSC.

8. What conditions shall an existing SEBI-registered intermediary (except trading member or clearing member) setting up a branch in IFSC need to comply with?

- Exclusive manpower shall be allocated for providing portfolio management services from the branch in IFSC.

- The branch shall comply with all the provisions (except obtaining Registration) specified in the operating guidelines.
- The parent entity shall be required to ring fence its domestic operations, legally, financially, operationally and technologically, from its operations at IFSC.



THE PORTFOLIO MANAGER SHALL CHARGE A FEE AS PER THE AGREEMENT WITH THE CLIENT FOR RENDERING PORTFOLIO MANAGEMENT SERVICES. THE FEE SO CHARGED MAY BE A FIXED AMOUNT OR A PERFORMANCE-BASED FEE OR A COMBINATION OF BOTH. HOWEVER, NO UPFRONT FEES SHALL BE CHARGED BY THE PORTFOLIO MANAGER DIRECTLY OR INDIRECTLY TO THE CLIENTS.



9. What is the minimum net worth requirement of a Portfolio Manager in IFSC?

The Portfolio Manager in IFSC is required to have a minimum net worth of USD 750,000.

In case the Portfolio Manager is set up as a branch, the net worth requirement is to be met by the parent entity.

In case the PM is set up as a subsidiary, the net worth requirement is to be met by the subsidiary itself. However, if the subsidiary does not meet the criteria, the net worth of the parent entity will be considered.

10. What securities is a Portfolio Manager in IFSC permitted to invest in?

A Portfolio Manager operating in IFSC shall be permitted to invest in the following:

- Securities which are listed in IFSC;
- Securities issued by companies incorporated in IFSC;
- Securities issued by companies belonging to foreign jurisdiction.

11. How can a Portfolio Manager in IFSC charge fees to its clients for the services rendered by him?

The Portfolio Manager shall charge a fee as per the agreement with the client for rendering portfolio management services. The fee so charged may be a fixed amount or a performance-based fee or a combination of both. However, no upfront fees shall be charged by the portfolio manager directly or indirectly to the clients.

The agreement between the portfolio manager and the client shall, inter-alia, also include the quantum and the manner of fees payable by the client for each activity for which service is rendered by the portfolio manager directly or indirectly.

12. Can a Portfolio Manager in IFSC offer indicative or guaranteed returns?

No, a portfolio manager in IFSC cannot offer indicative or guaranteed returns to its clients.

13. Can a non-discretionary Portfolio Manager invest client's funds in unlisted securities?

The Portfolio Manager offering non-discretionary or advisory services to clients may invest or provide advice for investment up to 25% of the assets under management of such clients in unlisted securities, in addition to the securities permitted for discretionary portfolio management.

14. Can a Portfolio Manager in IFSC directly on-board clients?

Portfolio Managers in IFSC shall provide an option to clients to be on-boarded directly, without intermediation of persons engaged in distribution services.

Portfolio Managers shall prominently disclose in its Disclosure Documents, marketing material and on its website, about the option for direct on-boarding.

At the time of on-boarding of clients directly, no charges except statutory charges shall be levied.

15. Can a Portfolio Manager in IFSC impose a lock-in on the investor?

Portfolio Managers in IFSC cannot impose a lock-in on the investment of their clients. However, a portfolio manager can charge applicable exit fees from the client for early exit, as laid down in the agreement subject to provision of SEBI Circular No. SEBI/HO/IMD/DF1/CIR/P/2020/26 dated February 13, 2020.

16. Can a Portfolio Manager in IFSC invest client's funds in a portfolio managed or administered by another portfolio manager?

No.

17. Can a Portfolio Manager in IFSC invest client's funds based on the advice of any other entity?

No.

18. Can a Portfolio Manager in IFSC dealing with client's funds indulge in speculative transactions?

No, the Portfolio Manager in IFSC shall not while dealing with client's funds indulge in speculative transactions i.e. shall not enter into any transaction for purchase or sale of any security which is periodically or ultimately settled otherwise than by actual delivery or transfer of security except the transactions in derivatives

19. Who is a Principal Officer?

Principal Officer means an employee of the portfolio manager who has been designated as such by the portfolio manager and is responsible for:

- the decisions made by the portfolio manager for the management or administration of portfolio of securities or the funds of the client, as the case may be; and
- all other operations of the portfolio manager.



A PORTFOLIO MANAGER IS REQUIRED TO APPOINT A COMPLIANCE OFFICER WHO SHALL BE RESPONSIBLE FOR MONITORING THE COMPLIANCE OF ALL THE RULES AND REGULATIONS, NOTIFICATIONS, GUIDELINES, INSTRUCTIONS ETC. AND FOR REDRESSAL OF INVESTORS' GRIEVANCES.



20. What is the certification requirement for a Principal Officer of a PMS?

- A professional qualification in finance, law, accountancy or business management from a university or an institution recognized by the Central Government or any State Government or a foreign university or a professional qualification by completing a Post Graduate Program in the Securities Market (Portfolio Management) from

- NISM of a duration not less than one year or a professional qualification by obtaining a CFA charter from the CFA institute
- At least five years of experience in related activities in the securities market including in a portfolio manager, stock broker, investment advisor, research analyst or as a fund manager (including at least 2 years of relevant experience is in portfolio management or investment advisory services or in the areas related to fund management); and
 - The relevant NISM certification as specified by the SEBI.

21. What is the certification requirement for the foreign Principal Officer of a PM in IFSC?

Principal officer and employee having decision making authority related to fund management and who are resident outside India may have certification from any other organization or institution or association or stock exchange which is recognized/ accredited by a Financial Market regulator in that foreign jurisdiction.

However, certification from NISM shall be mandatory in case the aforesaid persons deal in Indian securities markets.

22. Is a Portfolio Manager required to appoint a Compliance Officer?

A Portfolio Manager is required to appoint a Compliance Officer who shall be responsible for monitoring the compliance of all the rules and regulations, notifications, guidelines, instructions etc. and for redressal of investors' grievances. Role of compliance officer shall not be assigned to the principal officer.

23. Does a Portfolio Manager need to appoint any other person apart from Compliance Officer and Principal Officer?

Yes. In addition to the Principal Officer and Compliance Officer, the Portfolio Manager has in its employment at least one person with the following qualifications:

- graduation from a university or an institution recognized by the Central Government of India or any State Government of India or a foreign university; and
- an experience of at least two years in related activities in the securities market including in a portfolio manager, stock broker, investment advisor or as a fund manager:

Provided that any employee of the Portfolio Manager who has decision making authority related to fund management shall have the same minimum

qualifications, experience and certification as specified for the Principal Officer.

24. Can a Finance Company set up in IFSC offer Portfolio Management services?

Yes. A Finance Company setup in IFSC can offer Portfolio Management services. However, the Finance Company shall need to obtain a PM license from IFSCA and shall be subject to the conditions laid down under SEBI (PMS) Regulations, 2020, SEBI (IFSC) Guidelines, 2015 and Operating guidelines.

25. Can an IFSC Banking Unit (IBU) offer Portfolio Management services?

Yes. Under the IFSC Authority (Banking) Regulations, 2020, a Banking Unit has been permitted to Offer Portfolio Management services to person resident in India and persons resident outside India. Further, the PM department shall obtain a PM licenses form the IFSCA and shall adhere to the PM guidelines laid down under various regulations

26. Can Foreign Portfolio Investors (FPIs) avail services of Portfolio Managers in IFSC?

Yes. FPIs may avail of the services of Portfolio Managers in IFSC.

27. Can a Portfolio Manager in IFSC avail services of distributors and pay fees to them?

Portfolio Manager in IFSC shall utilise services of only such distributors (whether known as Channel Partners, Agents, Referral Interfaces or by any other name) who have a valid AMFI Registration Number or have cleared NISM-Series-V-A exam.

Portfolio Manager shall pay fees or commission to distributors only on trail-basis. Further, any fees or commission paid shall be only from the fees received by Portfolio Managers.

28. What is the tax framework for Portfolio Management entities operating in IFSC?

The tax framework is as follows:

- Corporate tax rate:
 - 100% profit linked deduction for any 10 consecutive years out of first 15 years of operations, at the option of the Company.
- Minimum Alternate Tax (MAT)/ Alternate Minimum Tax (AMT):
 - MAT/ AMT @ 9% (plus applicable surcharge and cess) of book profits applies to a Company/ LLP/ branch of an LLP setup as a unit in IFSC.

- Not applicable to companies in IFSC opting for new tax regime of 22%.
- Goods and Services Tax:
 - GST not applicable on management fees received by Portfolio Manager in IFSC from offshore clients



UNDER THE IFSC AUTHORITY (BANKING) REGULATIONS, 2020, A BANKING UNIT HAS BEEN PERMITTED TO OFFER PORTFOLIO MANAGEMENT SERVICES TO PERSON RESIDENT IN INDIA AND PERSONS RESIDENT OUTSIDE INDIA. FURTHER, THE PM DEPARTMENT SHALL OBTAIN A PM LICENSES FORM THE IFSCA AND SHALL ADHERE TO THE PM GUIDELINES LAID DOWN UNDER VARIOUS REGULATIONS.



29. What are the approvals required for setting up a Portfolio Management entity in IFSC?

Approvals required to be obtained for setting up a Portfolio Management entity in IFSC are as follows:

- Approval from SEZ authorities
- Approval from IFSC Authority

30. To whom the application for setting up a Portfolio Management entity in IFSC be made?

Application for setting up a Portfolio Management entity in IFSC should be made in:

- Form F to Development Commissioner, Kandla SEZ for SEZ approval.

- Specified form to the IFSC Authority for IFSC Authority approval.

31. What are the steps for setting up a Portfolio Management entity in IFSC?

The key steps for setting up an aircraft leasing entity in IFSC are as follows:

- Identification of office space in GIFT City and obtaining Provisional Letter of Allotment
- Apply for incorporation of the entities.
- Application to SEZ authorities and obtain Letter of Approval, Application to IFSC Authority
- Obtain IFSC Authority approval
- On obtaining approvals from SEZ authorities and IFSC Authority, GIFT SEZ to issue Final Letter of Allotment for allocation of space.
- Execute lease deed / leave and license with the Developer for the allotted space.

Sandip Shah, Head of IFSC Dept. at Gujarat International Finance Tec - City Co. Ltd (GIFT City). GIFT City is developing an International Financial Services hub in Gandhinagar, Gujarat. Mr. Shah has over 11 years of professional experience in Project Development, Policy Matters, International Financial services regulations and Securities market.

He is a Bachelor of Commerce and Master of Business Administration with specialization in International Finance. He has also done Diploma in Foreign Exchange and Risk Management and Company Secretary - Intermediate from Institute of Company Secretaries of India.

He has been involved from the beginning of International Financial Services Centre at GIFT City. He has been leading various initiatives with IFSC Authority, Ministry of Finance, RBI, SEBI and IRDAI to develop and promote IFSC globally. He is also instrumental in preparing key regulatory proposals for IFSC institutions. Mr. Shah works closely with IFSC Authority for developing new lines of business such as Aircraft leasing, International Bullion Exchange, Offshore Fund management etc.

Currently, he is the Head of IFSC Department at GIFT City and has been instrumental in bringing domestic and international financial institutions in GIFT City. Mr. Shah has played key role for signing cooperation for GIFT City with Bloomberg, Refinitiv and educational institutes like Gujarat National Law University, Nirma University, ICFAI Business School and National Institute of Financial Management (NIFM).

He has worked extensively in various Committees formed by Ministry of Finance, Ministry of Commerce, Ministry of Civil Aviation in the areas of international financial services.

Currently, he is a Member of Steering Committee set up by Ministry of Finance for promoting export of financial services in India. Mr. Shah is also a visiting faculty at Institute of Commerce, Nirma University.

your
questions
answered



CS DIVIJA DAVE

Founder
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BOARD REFRESHMENT: RIGHT BALANCE AT THE TOP, IS THE NEED OF THE HOUR!



HETEROGENEOUS BODs WITH INDEPENDENT THINKING ENFORCE GOVERNANCE, AND DIVERSITY STRENGTHENS CREATIVITY.

- Pearl Zhu



Board refreshment seems to take on a greater significance in the current times when directors and senior management personnel are facing tough time to prove their accountability due to poor business decisions, inappropriate behavior in boardrooms and failure to meet stakeholder expectations. If we analyze, the 'Board Refreshment' is relatively new in the Indian context however, outside of India, the term is seen with much greater importance. In simple words, evolution of Board of Directors is often referred to as 'Board Refreshment'.

With the greater accessibility and deeper understanding towards the concept, companies have now voluntarily started to re-emphasize their policies on board refreshment thereby making sure that the policy duly aligns with the future growth of the Company. In these times, the primary concern of investors and all the key stakeholders is that of stale Boards, which means that the Board which has not added new members for many years, may become complacent, whereby a lack of independence, new perspectives, and diversity could pose significant risks in relation to long-term performance and effective oversight of management. Therefore, finding the right balance for the

Board has become extremely crucial. Adding appropriate number of women, independent directors from various backgrounds and minorities with critical skill sets would add substantial value to the Board as well as help companies achieve their long-term vision.

In these evolving times, businesses are bringing in innovative practices for the long-term sustainability and certainly, this evolution must begin at the top with the Board of Directors. In the Indian context, very interestingly, Board directorship is still considered to be a lifetime engagement for the directors on Board. In fact, we could say that we live in a corporate culture that still assumes that there is some problem when a director's tenure is anything less than a perennial. However, this nowhere means that the seniority, wisdom and knowledge of such directors are not important for the growth of the company. Yet, it is extremely critical for Boards to evolve with the ever-changing business environment and hence their 'Independence' and 'Performance' play a vital role in creating a strategic Board. It is very important that the composition of Board must reflect company's current strategies and plans. It wouldn't be inappropriate to state that in India, we are still living in a culture where the Board follows an old school of thought where seniority in terms of 'tenure' is taken with deep seriousness. Emphasis on aforementioned terms like 'Independence' and 'Performance' seems to be gone for a toss while creating right Boards and nurturing their thought process for better decisions. Considering today's scenario of Indian corporates, we realize that because of the incorrect composition of Boards and their irrelevant thought process, many companies have faced corporate governance failures. It is not always about having financial scams amounting to failures for companies, but if we check the data, unfortunately in most of the companies, governance failures have taken place due to improper systems in place. Certainly, composition of the right Board is the topmost in the list that can either make or break company's vision. It is

observed that very few companies in India know about the concept of succession planning and if at all they are conceptually aware, no plans in this regard have been implemented to ensure business sustainability.

Let us understand with the help of few questions how Board Refreshment is emerging as a concern in the Indian scenario:

1. What could be some relevant questions that Boards could ask themselves to build a streamlined approach towards composition and board refreshment?

It is noteworthy that concerns about refreshment are typically driven by perceptions of a board's ability to oversee evolving strategies and risks. For that reason, well-run boards take an ongoing approach to refreshment and develop succession practices to meet evolving needs related to board composition.

Here are few useful questions that a Board can ask itself to get clarity on its composition and need to introduce board refreshment:

- Does the board have the skills, expertise, and experience required to advise management on the organization's strategy and associated risks?
- How does the Board identify gaps in board practices including board composition?
- What measures does the Board take to fill in such identified gaps?
- Is there a need to rethink on onboarding and recruitment process of Board members and senior management personnel?
- Does their recruitment align with the intention of filling the aforementioned gaps?
- What are diverse perspectives of the board members on the concept and implementation of board refreshment? And more.

It is recommended that it is time now when Boards must pay attention on establishing and maintaining a robust assessment process that can help companies to establish right mix at the top. Rigorous assessments of directors on a continuous basis can help in identification of incapability and gaps that can help companies take some firm decisions and introduce practices that are right for the Board and its stakeholders.

2. What is investors perspective towards the concept of 'Board Refreshment'?

It is very important to state that the emphasis on refreshment is deeply tied with investors' concern about the competitiveness and future growth of the Company. Before investing into any company for the long-term perspective, investors in addition to the financial health also consider how the Board and senior management of the Company are placed. Investors usually seek answers to few very basic questions like:

- Does the Company have right balance of people in the Board?
- How diverse is the Board?
- Whether the Board has done a succession planning?
- How adaptive is the Board with innovation and latest techniques?
- Is Board refreshment a key concern for the Company wherein the tenure of the Board and Chair is viewed with greater importance?
- Does the Board members have right skill sets to address stakeholder concerns? And more



WITH THE GREATER ACCESSIBILITY AND DEEPER UNDERSTANDING TOWARDS THE CONCEPT, COMPANIES HAVE NOW VOLUNTARILY STARTED TO RE-EMPHASIZE THEIR POLICIES ON BOARD REFRESHMENT THEREBY MAKING SURE THAT THE POLICY DULY ALIGNS WITH THE FUTURE GROWTH OF THE COMPANY.



In order to answer such questions and protect investor interest in companies, Boards and senior management personnel have started rethinking about their composition with respect to determining key skillsets as well as attributes that are much needed in the Boardroom. Greater focus has started to get the limelight wherein Boards are now talking about implementation of concepts like succession planning, board evaluation in the true sense. Still the understanding in the spirit needs to go a long way for India. Yet, the best part is that Boards and companies have now atleast started realizing the value of stakeholder activism and rethinking their existing governance mechanisms to ensure long- term sustainability and introduction of best practices.

3. What are some measures that can help Indian companies find a right balance for their Boards and implement the concept of Board Refreshment?

Taking Indian corporates into consideration, currently the main problem lies in the board composition and finding the right balance of appropriate mix on the Board. This does not mean that existing people on the Board cannot serve, rather having a right mix of people at the top with right attitude and skillsets make a tremendous difference in the governance journey of a Company. Further, this also help

companies in gaining stakeholder trust as well as taking right business decisions at the right point in time.

Here are some ways that can help companies to move towards the concept of 'Board Refreshment' and lay grounds for its implementation:

- **Conduct annual individual director's evaluation**

It is rightly said that a robust Board and the Board evaluation process followed by the Company can help in measuring both the group and individual performances. Such assessments if conducted on regular basis can help companies to determine the commitment, mindset and performance of directors' basis their skillsets, independence and rational thinking, ability to take strategic decisions, engagement with stakeholders, style of communication and leadership and more.



IT IS NOTEWORTHY THAT CONCERNS ABOUT REFRESHMENT ARE TYPICALLY DRIVEN BY PERCEPTIONS OF A BOARD'S ABILITY TO OVERSEE EVOLVING STRATEGIES AND RISKS. FOR THAT REASON, WELL-RUN BOARDS TAKE AN ONGOING APPROACH TO REFRESHMENT AND DEVELOP SUCCESSION PRACTICES TO MEET EVOLVING NEEDS RELATED TO BOARD COMPOSITION.



- **Review and assessment of director's skillsets basis the long-term sustainability of the business and ever-changing market environment**

Having a right mix of people at the top is a blessing. However, to attain such a combination is one of the most difficult tasks that companies face in practicality. It is very important that focus on the skillsets of directors must be taken as one of the topmost parameters for assessing the performance because with the ever-changing market conditions, it becomes extremely relevant to have upgraded skills for director or senior management personnel to take decisions with greater efficiency. Therefore, a regular review and assessment would not only help companies to have the right choices of directors at the top but also a great professional mix with varied skillsets and backgrounds would be a boon.

- **Establish Board renewal and succession programs with short term milestones**

A Board renewal program with short term milestones creates a framework that allows the Board to plan and target its refreshment and tenure balance to specific objectives, while offering greater flexibility compared to term limits or mandatory retirement age policies. For example, companies can set a target of nominating a minimum of one new director to the Board every three years, or they can annually benchmark progress against an optimal Board tenure composition. This will give companies a broader mindset to shape up their future plans in a more strategic manner.

- **Board Governance and Training should pay greater emphasis on introduction of terms like 'Board Refreshment' and 'Succession Planning'**

Many companies in India follow the process of ensuring Board governance from time to time. However, mere training of the Board of Directors is not at all the solution to get right Boards in place. Having same contents in the Board training will only lead towards tick the box approach and make the procedure mundane rather than giving benefits in the long-run. Therefore, introduction of relevant topics to the Board considering the market conditions is extremely important especially in order to make them think big towards the future of the Company and make right decisions at the right time.

Therefore, having renewed Board with fresh and innovative thinking is the need of the hour. A refreshed Board is an asset to every company and it must be highlighted that the lack of Board refreshment poses significant risks to Board performance and effective oversight of the Company.

Divija Dave, Founder at Divija Dave & Associates, is a Practicing Company Secretary and MBA in the field of Finance, having expertise in areas related to Corporate Secretarial, Board Governance, POSH, CSR and Ethics. She is a certified professional in the space of Compliance & Ethics, CSR and Women Directorship.

As a governance consultant, she has been proficient in sensitizing companies to think beyond compliance and help them understand the essence of 'best practices' to strengthen their governance mechanisms. She has also been helping organizations to create a safe and inclusive workplace environment for their stakeholders.

As one of her major initiatives 'Move Beyond Compliance - Let's Talk Corporate Governance', she has taken a step forward to address and bring into the limelight critical issues of Corporate Governance with Industry Experts in the form of short fireside conversation. 'POSH-SHALA' is another dedicated initiative taken by her with an aim to compel organizations to 'Rethink' their existing POSH programs in the New Normal and move from mere 'POSH Compliance' to 'POSH Governance'.

She has co-authored a research paper on 'HR Managers as Ethical Managers' and presented the paper at International Conference on 'HR in Search of an Identity' in 2018 organized by IBS, ICFAI Business School, Mumbai. As an eminent speaker, she has been actively sharing her thoughts on various platforms on various occasions. Visit: www.ddacs.in



your
questions
answered

ZERICK DASTUR

Founder
Zerick Dastur, Advocates and Solicitors

SURVIVAL OF THE “FITTEST”

Charles Darwin would never have imagined that his age-old theory of evolution and the concept of survival of the fittest may indeed have an application in the Indian share and stock markets.

The securities market regulator, the Securities and Exchange Board of India (“SEBI/ Board”) performs a wide array of functions. It frames regulations governing conduct of market intermediaries and grants registrations to those who qualify in fulfilling the requirements for registration. At the same time SEBI also investigates violations, non-compliances and market manipulations, grants a hearing to those accused of these violations and passes necessary orders. The orders passed by SEBI may be preventive/remedial in nature under the relevant provisions of Securities and Exchange Board of India Act, 1992 (“SEBI Act”) or even orders imposing monetary penalties or orders cancelling/suspending the certificate of registration granted to a market intermediary. The role played by SEBI is diverse and is driven with the object of protecting the interests of investors in the securities market. A market intermediary like a stock-broker or a merchant banker thus functions in a system which is under the regulatory supervision and the watchful eye of an active regulator. In the market where they function, there is only place for those who are “fit and proper”. It is thus important that these individuals are compliant when they apply for registration and continue to remain as such while they carry out their function in the market.

1. What is the criteria applied for consideration of grant of a certificate of registration for an intermediary such as a broker?

The grant of certificate of registration to stock-brokers is governed by the SEBI Act read with the SEBI (Stock

Brokers) Regulations, 1992 [previously known as the SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992] (“Stock Broker Regulations”). The provisions of the SEBI (Intermediaries) Regulations, 2008 (“Intermediaries Regulations”) are also relevant in this regard.



THE ROLE PLAYED BY SEBI IS DIVERSE AND IS DRIVEN WITH THE OBJECT OF PROTECTING THE INTERESTS OF INVESTORS IN THE SECURITIES MARKET. A MARKET INTERMEDIARY LIKE A STOCK-BROKER OR A MERCHANT BANKER THUS FUNCTIONS IN A SYSTEM WHICH IS UNDER THE REGULATORY SUPERVISION AND THE WATCHFUL EYE OF AN ACTIVE REGULATOR.



Regulation 5 of the Stock Broker Regulations provides that in considering the grant of a certificate for registration as a stock broker, the Board shall take into account all matters relating to trading, settling or dealing in securities and in particular the following, namely, whether the applicant,-

- (a) is eligible to be admitted as a member of a stock exchange;
- (b) has the necessary infrastructure like adequate office space, equipment and manpower to effectively discharge his activities;
- (c) has any past experience in the business of trading or dealing in securities, as the case may be;
- (d) has been subjected to disciplinary proceedings under the rules, and bye-laws of a stock exchange, or enforcement action under securities laws, with respect to his business as a stock-broker involving either himself or any of his partners, directors or employees;
- (e) **is a fit and proper person based on the criteria specified in Schedule II of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008;**
- (f) has any financial liability which is due and payable in terms of the Act, the Securities Contracts (Regulation) Act, 1956 or rules and regulations thereunder;
- (g) has obtained certification in terms of SEBI (Certification of Associated Persons in the Securities Markets) Regulations, 2007 or as may be specified by the Board;
- (h) satisfies the minimum net worth and deposit requirements as specified in Schedule VI, for the segment for which membership or approval is sought.

Similar criteria are also specified for other market intermediaries under the respective regulations governing them and as notified by SEBI.

2. What is the criteria for the purpose of determining whether an applicant like a broker or a merchant banker or a market intermediary is a 'fit and proper' person under the Intermediaries Regulations?

Schedule II of the Intermediaries Regulations lays down the criteria for the purpose of determining whether an applicant is a 'fit and proper' person. Accordingly, the Board may take into account any consideration as it may deem fit, including but not limited to the following criteria in relation to the applicant, the principle officer, director, promoter and the key management persons of the applicant:

- (a) integrity, reputation and character;
- (b) absence of convictions and restraint orders;
- (c) competence including financial solvency and net worth;
- (d) absence of categorization as a willful defaulter.

As the well-known proverb goes- *A man is known by the company he keeps*. There have been instances where registration has been denied by the Board as not 'fit and proper' by reason of close association of the applicant with a certain other entity or person or due to issues relating to the integrity, reputation and character of the applicant's principle officers, promoter, directors or key management.

3. Please discuss a few cases where the concept of 'fit and proper' person has been discussed.

Following are some judgments passed in cases of various market intermediaries which throw light on the factors considered by the Board in determining whether an applicant is a 'fit and proper' person for grant of certificate of registration.

Not 'fit and proper' by close association:

(a) In **Jermyn Capital LLC v SEBI**, [2007 74 SCL 246 SAT] the Hon'ble Securities Appellate Tribunal ("SAT") was called upon to decide whether Jermyn Capital (a company incorporated in Dubai) which was registered as a foreign institutional investor with SEBI as a foreign corporate sub-account was not 'fit and proper' person' to continue trading in the Indian securities market by its close association to certain other persons/ entities.

It was found that Mr. X the chairman of Jermyn Capital was closely associated with one Mr. Y a director of a UK Company of which Mr. X was also a chairman. It was further found that Mr. Y was a close associate of Mr. Z (who had been barred by the Board from accessing the securities market for various violations). Mr. Z was also the director of another closely associated entity of Jermyn Capital. Both Mr. Y and Mr. Z were absconding and criminal cases were pending against them. The Hon'ble SAT observed as follows:

"Good reputation and character of the applicant is a very material consideration which must necessarily weigh in the mind of the Board in this regard. Reputation is what others perceive of you. In other words, it is the subjective opinion or impression of others about a person and that, according to the Regulations, has to be good. This impression or opinion is generally formed on the basis of the association he has with others and/or on the basis of his past conduct. A person is known by the company he keeps. In the very nature of the things, there cannot be any direct evidence in regard to the reputation of a person whether he be an individual or a body corporate. In the case of a body corporate or a firm, the reputation of its whole time director(s) or managing partner(s) would come into focus."

The Hon'ble SAT held that because of the close business/professional association of Mr. X with Mr. Y, it was legitimate to infer that Mr. X did not enjoy a good reputation. Accordingly, the impugned Order passed by SEBI denying access to Jermyn Capital to the Indian securities market was upheld by the Hon'ble SAT.

It is pertinent to note that the Impugned Order was passed by the Board pending further investigation into the matter. Accordingly, when the matter was appealed to the Hon'ble Supreme Court, the same was remitted to SEBI for an expeditious disposal.

Thereafter, in an appeal from the final order subsequently passed by SEBI, the Hon'ble SAT noted that circumstances had changed since the passing of the first Impugned Order by SEBI in 2006. Both Mr. Y and Mr. Z had resigned from their position as directors in 2008 of the closely associated entities of Jermyn Capital and Mr. X was no longer associated with them. Accordingly, the Hon'ble SAT observed that the persons and entities, who had bad reputation and thereby contaminated the reputation of Jermyn Capital, were no more associated with it. Therefore, the basis of the charge of not being a 'fit and proper person' no longer survives and, therefore, the proceedings related to 'fit and proper criteria' had become infructuous. The restrictions imposed upon Jermyn Capital were directed to continue only for a period of two years from the cessation of association between Jermyn Capital and Mr. Y.

Whether 'fit and proper' due to previous restraining orders

(b) In **Almondz Global Securities Ltd vs SEBI** [Decided on May 13, 2016], SEBI passed an order declaring that Almondz Global was not a 'fit and proper' person as defined under the Intermediaries Regulations thereby rejecting the application for renewal of registration as Merchant Banker. This Impugned Order of SEBI which was appealed before the Hon'ble SAT, was based on previous restraining orders passed by SEBI against Almondz Global in connection with two IPO's where Almondz Global was alleged to have failed to exercise due and reasonable care while conducting its due diligence operations at various stages on the two IPOs, which resulted in inaccurate/inadequate disclosures in the RHP/Prospectus. In the previous orders Almondz Global was barred from taking up any new assignment for 5 years and also faced suspension of its registration for a period of 6 months.

The previous restraining orders had already been challenged before the Hon'ble SAT by Almondz Global and were only partially upheld by SAT.



REPUTATION IS WHAT OTHERS PERCEIVE OF YOU. IN OTHER WORDS, IT IS THE SUBJECTIVE OPINION OR IMPRESSION OF OTHERS ABOUT A PERSON AND THAT, ACCORDING TO THE REGULATIONS, HAS TO BE GOOD. THIS IMPRESSION OR OPINION IS GENERALLY FORMED ON THE BASIS OF THE ASSOCIATION HE HAS WITH OTHERS AND/OR ON THE BASIS OF HIS PAST CONDUCT.



The Hon'ble SAT while setting aside the Impugned Order observed that "*SEBI should not view punishments from a perspective of thinning the herd, rather it should help in fostering a healthy environment where intermediaries act cautiously and responsibly under the overall supervision of the market regulator. The punishment should not only be reasonable but must fit the violation or breach of law for which the entity is sought to be penalized.*"

The Hon'ble SAT held that the fact that the restraint order was passed against Almondz Global could not be a ground to hold that the applicant was not a 'fit and proper' person to seek renewal of registration as a merchant banker. Since the fault of Almondz Global was limited in as much as it had relied upon the Statutory Auditor's reports and the statements issued by the two Issuer Companies, instead of looking into the bank's statement, it could not be said that the applicant was not a fit and proper person for carrying on business as a Merchant Banker.

Not 'fit and proper' due to Sponsor not being fit and proper.

(c) The Hon'ble SAT in the case of **Sahara Asset Management Company Pvt. Ltd. v SEBI** [Decided on

July 28, 2017] upheld the Impugned Order passed by SEBI cancelling the certificate of registration of Sahara Mutual Fund with consequential transitional directions.

The Hon'ble SAT upheld the Impugned Order which was issued consequent to the findings by SEBI that the sponsor Sahara India Financial Corporation Ltd. is not a 'fit and proper' person because its Promoter-Director is not a "fit and proper" person and hence the Sahara Mutual Fund and Sahara Asset Management Company P. Ltd. are no longer fit and proper to carry on the business of mutual funds.



FROM A READING OF THE AFORESAID JUDGEMENTS AND THE CRITERIA LAID DOWN IN THE INTERMEDIARIES REGULATIONS IT IS CLEAR THAT THE CONCEPT OF 'FIT AND PROPER' PERSON IS AN EVOLVING CONCEPT. THE BOARD CAN TAKE INTO ACCOUNT ANY CONSIDERATION AS IT DEEMS FIT WHILE DETERMINING THIS ASPECT.



The Hon'ble SAT held that *"the requirement that the fit and proper criterion of an entity is continuous as long as its obligation continues has been upheld in a number of judgments. Further, under Regulation 7A of the Mutual Fund Regulations, 1996 apart from the sponsor/applicant it is stated that the mutual fund also needs to be fit and proper person which makes it clear that the fit and proper criteria needs to be complied with by all the three pillars of the mutual fund framework during the existence of the mutual fund."*

Not 'fit and proper' due to principal officer not being fit and proper

(d) In Mukesh Babu Securities Ltd. v SEBI & Anr. [2007 SAT 80], the Hon'ble SAT upheld SEBI's order rejecting the application filed by Mukesh Babu Securities for renewal of its registration with the Central Depository Services (India) Ltd. The applicant was also a member of the NSE and BSE.

The Board took note of the fact that Shri. Mukesh Babu the chairman of the applicant had been taken into custody by the CBI in connection with the Madhavpura Bank scam for his alleged involvement therein which had an impact on the capital market and, therefore, the applicant was not a 'fit and proper' person to continue as a participant of CDSL. While upholding the order passed by SEBI, the Hon'ble SAT observed that *"it is clear that every applicant seeking fresh registration or renewal of its registration has to possess financial integrity.....If they are not fit and proper persons they cannot be allowed to access the securities market."* The Hon'ble SAT held that the Board was justified in keeping the applicant company out of the market as a risk containment measure in order to maintain its integrity and in the interests of investors.

From a reading of the aforesaid judgements and the criteria laid down in the Intermediaries Regulations it is clear that the concept of 'fit and proper' person is an evolving concept. The Board can take into account any consideration as it deems fit while determining this aspect. The power is aimed at maintaining a market which is clean and free from undesirable elements. J.G. Holland, an American Novelist has stated that *responsibility walks hand in hand with capacity and power.* Hence, it is important that this discretion should be exercised judiciously and effectively with the overall object of protecting the interests of investors in the securities market and the integrity of the securities market.

(Advocate Zerick Dastur and Advocate Sneha Sheth)

Views expressed are personal and do not constitute legal advice.

Zerick Dastur is Proprietor of the Law Firm, practicing in the field of Court litigation, Dispute Resolution, Arbitration, Securities law and Competition Law. He is a triple Gold Medalist from Mumbai University having topped the Mumbai University in Law. His practice covers diverse areas of Corporate, Commercial, Securities law and Regulatory disputes. He is representing a number of clients in the Port Sector, Infrastructure and Mining Sectors. He has represented clients in domestic and international, commercial arbitration matters. He handles a number of cases relating to securities law litigation and SEBI. He was a former Partner at the Law Firm, J. Sagar Associates.

He has litigation experience before the Hon'ble Supreme Court, various State High Courts Statutory Tribunals and Regulators. He has been involved in a number of matters involving issues of Constitution Law. He has been involved in landmark matters involving defence of Auditors and Corporate clients before various Regulators/Civil/Criminal Courts and Tribunals in connection with Corporate frauds. He has also advised various clients in matters involving shareholder disputes and minority actions before the NCLT and CLB.

He also practices Securities Law and appears before the Securities Appellate Tribunal and the SEBI. He has advised clients in connection with Competition Law issues in everyday business operations including issues relating to anti-competitive agreements and abuse of dominance by enterprises.

He writes for various newspapers and publications on issues relating to Corporate law, Arbitration, Commercial and Competition Law. He regularly writes on securities law for the publication run by the Bombay Stock Exchange Brokers Forum. He is a regular speaker at events organised by Economic Times, VC Circle, Indian Merchant Chambers, Consumer Resources, Corporate Knowledge Foundation and the World Zoroastrian Chamber of Commerce.

He is a Member of the Law Committee of Indian Merchant Chambers and was involved in the drafting of the Rules for the IMC International Arbitration Centre.



IDENTITY CRISES IN BOARDROOM— INSPECTOR DIRECTOR or INDEPENDENT DIRECTOR?

Vikesh Wallia
Managing Director, Board Stewardship Inc.

In recent times, the interest in good corporate governance has been rising exponentially because of the increased number of shareholders and higher expectations of other stakeholders. Since the evolution of Joint Stock Companies (JSCs), the corporate boards have been designed to take care of only the promoters/investors/shareholders. With governments worldwide limiting their role in state enterprises/PSUs, the share of the private sector in the economy is growing fast; shareholders have been replaced with stakeholders to include indirect and implied investors. In addition, the mega funding and massive IPOs of companies have also played vital roles in raising shareholder and public awareness in how and why companies need to be well-governed.

As soon as a scam comes to light, a character called 'Independent Director' (ID) takes the centre stage. An ID usually strives best to be an independent observer, commentator and advisor but does not want to be held legally responsible for the board's decision-making. However, while the promoters wish to treat him like a friend, other stakeholders want to see him as an Inspector. Moreover, SEBI and the Companies Act 2013 have their legal views regarding the ID. Hence, the ID finds himself being pulled in different directions. As a result, not many now aspire to be IDs, as indicated in a recent IIAS report published in the Economic Times stating that the number of IDs dwindled from 2,494 in 2018 to 2,396 in 2019, and last year in 2020, this number was down to 2,249 for the top 500 NSE companies, while in reality this should have been around 3,000 considering addition of women IDs, need for Risk Committee, etc.

It cannot be disputed that for Indian GDP to reach USD 5 Tn, a considerable scaling up will be required to make Indian products and services competitive globally. There is, hence, the need for more significant investments that can only come from large PEs, Pension Funds and Sovereign Funds. These funds are the life savings of investors, who though willing to take limited risks, prefer to be doubly sure of the high corporate governance standards of the entity where investment is being made. At the same time, small investors in India are also raising

their capital market play directly through the equity market or Mutual Funds, EPF, PPF and NPS. These investments require a huge safety net that can only be provided by good corporate governance, where IDs have a critical role to play.



WITH GOVERNMENTS WORLDWIDE LIMITING THEIR ROLE IN STATE ENTERPRISES/PSUs, THE SHARE OF THE PRIVATE SECTOR IN THE ECONOMY IS GROWING FAST; SHAREHOLDERS HAVE BEEN REPLACED WITH STAKEHOLDERS TO INCLUDE INDIRECT AND IMPLIED INVESTORS.



Ever since the JSCs were formed, a board seat was given to a small shareholder or a trusted outsider who would be an observer of board proceedings, ensuring that the proceedings did not only favour the key owners or promoters. This person was called the non-executive director (NED). He was meant to evaluate and contribute to the thinking and decision-making of Executive Directors, MD and Chairman. NEDs came into existence more out of traditions of values and culture than a legal requirement. As long the size of investor groups remained small enough, these NEDs were known to most of them and represented them well. However, once the number of investors increased, the previous close connection was lost. The NEDs were now influenced mainly by the key investors or promoters, with whom they interacted more often for social and professional reasons. In other words, the neutrality or the independence of this person was lost. Owing to some scams in the USA and other countries, the position of an ID was born in the 1950s, courtesy of the US SEC.

Legally, an ID was described as a person who was an outsider board member and was not engaged in the company's day-to-day working or decision making or had any substantial material or financial interest in the ownership or transactions with the company.

NEDs were expected to be reputed accountants, lawyers, retired top bankers or bureaucrats who knew how companies and boards work in a legally compliant manner. It was further desired that these individuals enjoyed good social standings and were out of the rat race of making money, wanting to give back to society with their knowledge of how companies could be made more profitable in the interest of larger shareholder groups. It was hoped that the performance thus achieved would reflect in the market capitalisation of such companies, helping the company and the capital markets to grow.

This concept, to begin with, was more voluntary for ensuring good governance and curbing various agency problems. This later evolved as a law mandate in the Sarbanes-Oxley Act, 2002, after the massive Enron scam. In countries like the UK, the corporate code on independent directors recommends that half the board constitutes IDs, while countries like Germany and Italy focus on adequate numbers. However, in France, the number of IDs on a board depends on the ownership structures wherein one-third of the board members are IDs in companies with controlling shareholders and half if there is widespread shareholding. The number of IDs and the balance of independence have always been an issue as it affects the voting power and decision-making.

In India, in a listed company with an executive chairperson, half the board should be constituted with IDs, and with a non-executive chairperson, one-third is the statutory minimum. Also, a higher number of IDs can be appointed to meet the composition requirement of the various Board Committees. However, the numbers of IDs are yet not seen as a sufficient measure of independence in any country.

IDs appeared in India, by first its mention in Naresh Chandra SEBI Committee Report in 2002 and then finally by JJ Irani SEBI Committee Report in 2005 with the Companies Act of 2013 with an objective that IDs would protect the interests of vulnerable stakeholders of companies because of past scams like Satyam, which involved an opaque surrounding to promoter's self-interests. Presently, the Companies Act of 2013 and SEBI (LODR) Regulations, 2015, primarily govern the role and functions of IDs.

The guidelines for their appointment, disqualifications, remunerations, and evaluation were updated over time. SEBI also mandated the presence of one-woman ID in the top 1,000 companies and how many companies one can represent as ID. The role and responsibilities of IDs in various board committees were also notified, with clarity about the qualifications of the ID to chair the audit committee.

While, on the one hand, it brought immense clarity to the role and responsibilities of the IDs, it also brought great demands from stakeholders, regulatory authorities and IDs themselves.

The stakeholders thought that the ID is one pill for all non-performance and non-compliance faced by the companies. The phrase 'What were IDs doing?' became the most popular phrase for stakeholders when questioning the scams. The stakeholders failed to see that ID's role is more advisory and guidance-based as an independent observer instead of a board inspector. The ID is not functionary in the day-to-day management and is not expected to go through every document of day-to-day work or compliance. IDs did not even realise that their role is limited to the board's agenda and focussed on the documents provided for the board meeting.

Government authorities were too keen and fast to include IDs for every non-compliance without providing adequate guidelines. As a result, most non-compliance was criminal in nature, which has been modified since April 2020, and now most offences are penalty-based and not criminal. This has added to the confidence and comfort of the IDs else, it was a panic situation. The recent consultation paper floated by SEBI is likely to make this more transparent.

On the part of IDs, they took their role to be more of a consulting and advisory one for making more money for their time and effort. IDs were used to hefty pay packets and other perks in their previous executive roles and found it challenging to relate to each board's low remuneration. Since there was no direct mechanism for higher monetary reward for better performance of the company or income from loss-making companies, they were at a loss and confused. While the lesser number of companies per ID mandated by SEBI will reduce the workload, but the income would also come down. The consultation paper issued by SEBI in early 2021 will help bring clarity.

Dilemmas of Independent Directors: Cases in India

Among the plethora of cases on independence dilemma, the recent examples from ILFS, Videocon, DHFL Jaypee

Group are more glaring. These cases are now pending with the National Company Law Tribunal. Moreover, in its consultation paper, SEBI has proposed dual approval for appointment and reappointment where public shareholders and non-promoters get a stronger voice. The IDs here could have been playing the role of inspector well, but certainly, such a tedious process of reappointment makes independent status dubious.

Similarly, Yes Bank's ID resigned, stating that the board has no cognisance to the concerns regarding the lack of corporate governance raised by him on multiple occasions.



SEBI ALSO MANDATED THE PRESENCE OF ONE-WOMAN ID IN THE TOP 1,000 COMPANIES AND HOW MANY COMPANIES ONE CAN REPRESENT AS ID. THE ROLE AND RESPONSIBILITIES OF IDS IN VARIOUS BOARD COMMITTEES WERE ALSO NOTIFIED, WITH CLARITY ABOUT THE QUALIFICATIONS OF THE ID TO CHAIR THE AUDIT COMMITTEE.



Moreover, there are empirical studies revealing that such directors are resigning citing false reasons, and there is reluctance amongst eligible persons to become IDs of the company. These resignations may indicate many corporate governance failures and suggest that the IDs are designed as toothless lions who cannot take action for what they observe in the boardroom. Also, the competing roles, accountability, and a wide scope of duties and liabilities deter individuals from joining as IDs.

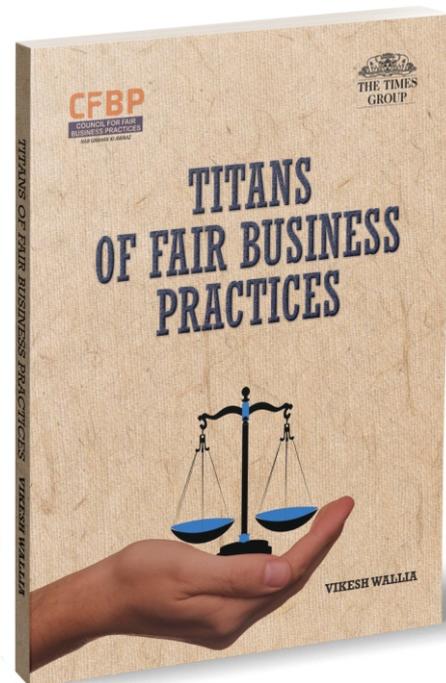
The concept of IDs is for checking fairness in important transactions of a company and not for checking compliances or day-to-day businesses. The Company Law and the businesses must streamline the role of IDs to enhance their independence. The role of the ID dilutes the independence of a director and thus fails its initial design or core function. Resignations are evidence of failed corporate governance structures regarding IDs.

Conclusion

IDs are a great value addition in ensuring good governance in a company. The IDs are expected to have qualities of being a team player with the board as their

role is seen as inclined to the board stewardship approach.

The role of IDs cannot be perceived as only the NED's role, as they come with a pool of complexities in their legally defined responsibilities and thus, their counter-managerial decision roles or criticisms they give do not have the brunt. The resignations are proof of excessive responsibility that the act of omission or commission has occurred, and the IDs have not acted diligently. Such onerous responsibilities and expectations from an ID in the operations of a company is a dubious fallacy. The scope of ID functions should be more precisely defined and be limited to ensuring the fairness in business decisions without any prejudice and not of an inspector who walks in with a prejudiced mindset against everyone. The IDs also must realise that this role goes beyond monetary rewards as well.



Vikesh Wallia

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Alumnus of Pondicherry University, IIM-A, Cranfield University UK, Wharton US .

Based at Mumbai he is now in Non-Executive/Consulting roles and also on multiple Non-Profit Boards, an expert on FMCG and Media industries, building people, brands and businesses. He is a speaker at Premier 'B' Schools, National and International Forums. He is a volunteer at Narmada Kidney Foundation.

As IOD Certified Corporate Director, he has contributed significantly in promoting good corporate governance thru board training programs on board management and practices.

He has hosted training programs for over 1,000 existing and aspiring Board Directors which is sort of a record. His regular interactions with such a huge number of board members in India and abroad brings him great insights into issues being faced by the Independent Directors today in the country.

He is also author for the soon-to-be-released 'Titans of Fair Business Practices' about Council For Fair Business Practices, being published by Times of India Group.



INVESTMENT PHILOSOPHY – THE GUIDING COMPASS THAT EVERY INVESTOR NEEDS

Tejas Gutka
Fund Manager, Tata Asset Management

The compass is amongst the oldest navigational tools. Unlike a map, it does not show the exact path; it does, however, keep you oriented in the right direction. An investment philosophy is much like the compass. It points in the right direction as you navigate the often calm, but sometimes choppy markets. Just as the compass always points towards the north star, a well-defined investment philosophy will always remind you of your north pole - your ultimate investment objective.

You may contest here that everybody invests to make money. To that extent we all have the same investment objective. That would be akin to saying that everybody travels, so why do you need specific directions.



AN INVESTMENT PHILOSOPHY IS MUCH LIKE THE COMPASS. IT POINTS IN THE RIGHT DIRECTION AS YOU NAVIGATE THE OFTEN CALM, BUT SOMETIMES CHOPPY MARKETS. JUST AS THE COMPASS ALWAYS POINTS TOWARDS THE NORTH STAR, A WELL-DEFINED INVESTMENT PHILOSOPHY WILL ALWAYS REMIND YOU OF YOUR NORTH POLE - YOUR ULTIMATE INVESTMENT OBJECTIVE.



More importantly, as much as we would all like to maximise the outcome of our investments, these outcomes are constrained by our personalities. Warren Buffet has an enviable long term track record. Not many have achieved what he has, because not many are like him. We are all different in our starting circumstances, in the way we invest, and in the way we behave. This is why, even as we all invest to make money, we need a unique and tailored investment philosophy.

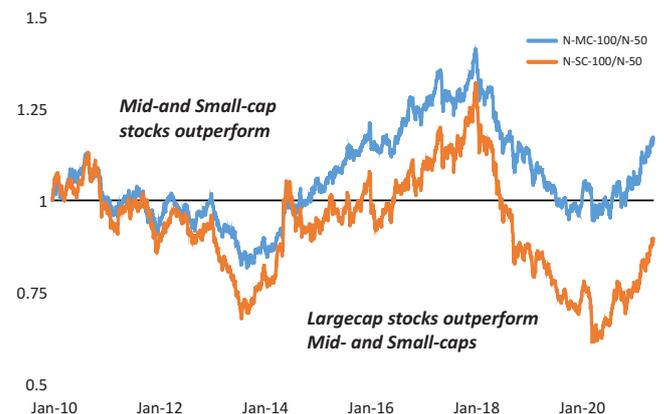
The need for an Investment Philosophy

In order to understand the need of an Investment Philosophy, let us invert the problem. Let's see what happens if we don't have a well-defined investment philosophy.

Tellingly, a voyage without a navigational instrument sounds like a recipe for disaster. Imagine a ship sailing in the ocean without any navigational assistance of the mechanical kind. You could argue that the position of the stars and the sun can help overcome the navigational challenge. Yes, so long as the skies are clear and the waters calm, this would be the case. However, what if the ship was to get caught in a storm? A thick cloud cover would mean no sun or star in the sky, while choppy waters would disorient the direction in which the ship sails. How then would the ship navigate towards its destination?

The challenges in the investment world are many-fold than those faced by such a ship. For, the storm may pass by in a few days and the ship could resume its voyage under the guidance of the sun and the stars. However, in the investment world, storms rarely pass by in a few days. Consider the following examples to understand this:

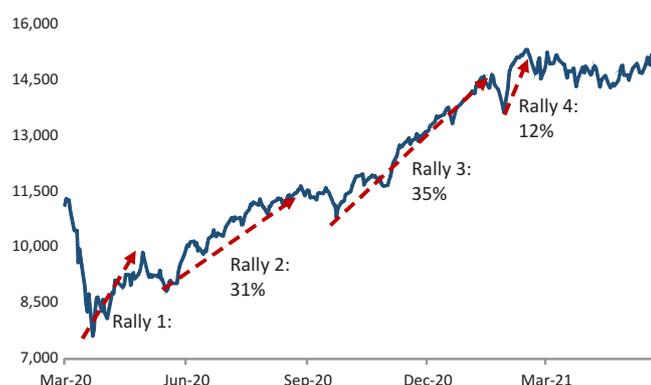
Market Cap Cycles: Most things in investing follow a cycle. The relative returns of large-, mid-, and small-cap stocks are also cyclical. The following chart plots the ratio (rebased to 1) of the Nifty Midcap 100 Index to the Nifty 50 Index (N-MC-100/N-50) and the Nifty Smallcap 100 Index to the Nifty 50 Index (N-SC-100/N-50) from 2010 till date. A ratio greater than 1 (top half) indicates that the mid & small cap indices have done better than the large cap index and vice versa.



This cyclicality in returns means that an investor who maintains counter-cyclical exposure to the three segments, i.e. increases exposure during an under-performing period and decreases exposure during an out-performing period would end up with very good results.

However, that is not how most investors read this chart. Most investors, especially those focused only on returns, will typically increase exposure during an outperforming period. Thus, fund flow towards mid & small cap segment was strong in 2017 and early 2018. In the following years, fund flows to these segments witnessed a sharp drop, only to see a recovery in the last few months. This is akin to buying high and selling low.

Sector Rotations: The relative performance of sectors also follows a cyclical pattern. One of the best periods to witness this rotation was during the year 2020. As the markets recovered from the March 2020 lows, we saw a very sharp rotation of top performing sectors in a matter of a few months.



Initially, sectors like Pharma and Auto led the rally. The second leg of the rally was led by IT, Auto, and Pharma. Some large diversified stocks also participated in each of these rallies, leading to a sharp and quick reversal of the correction. A lot of investor attention was drawn to sectors like IT and Pharma, leading to a pick up in pace of incremental fund flows towards them. These were times that investors wondered if there was a change in the market leadership. Investors questioned if heavyweight sectors like banking that had done well in the past decade would now lag the markets and lose its leadership to sectors like IT and Pharma.

As the third and the fourth legs of the rally ensued, some of these sectors lagged behind. The rally, in fact, was led by sectors like Metals and Banking. Once again, blindly chasing returns would have led to a sub-optimal outcome.

The above are just two of the many cyclical patterns that are visible in the market across different time horizons - from asset classes (debt vs equity vs gold), to investment styles (growth vs value, high quality structural vs cyclical, momentum vs mean reversion, etc), to market caps and sectors as above. Without an investment philosophy, the markets will confuse you and force you to commit/withdraw

capital at the wrong time. On the other hand, having a well-defined investment philosophy will help you plan your actions in advance. Your investment plan, and not stock prices, will dictate your actions in the market.

Thus, an investment philosophy not only helps you identify the most appropriate investment plan based on your returns objective and investment personality, but also helps you keep your head in its place when everybody around you is losing theirs. Therefore, identifying with an investment philosophy should be the ideal first step for all investors - unless you only seek entertainment from the markets, like in a casino.

Constituents of a Well-Defined Investment Philosophy

An objectively defined investment philosophy balances our investment objectives with our current finances and investment personality. In some way, it is a bridge between our aspirations and our reality. A well-articulated investment philosophy should cover the following aspects in addition to one's investment objective:

- **Inactivity Threshold:** This is the shortest duration that the investors can sit tight, without the need for any activity. Theoretically, most investors have a very long term investment horizon. However, practically, a number of factors have an influence on our investment horizon. The most common being intolerance for under-performance (low or negative relative returns). Other factors that likely influence the investment horizon include boredom threshold (can you sit and watch paint dry, or do you feel restless and crave activity), need for funds, and fear of loss of profits.
- **Drawdown Tolerance:** This is closely related to the first point, but needs a separate mention as it concerns more than just time horizon. It's easy to remain invested while prices are stable or rising. However, the way you react to falling prices has a notable impact on your long term returns. Selling when prices hit a low leads to a permanent reduction in long term returns. On the other hand, increasing allocation while prices are falling can significantly improve long term returns. A long term, buy and hold investment may be more suited to those that have a high tolerance for volatility. While for those with a low tolerance, having a system to reduce downside volatility may be helpful. Important to note though, that such systems come at a cost to the upside as well.
- **Awareness of the blind side:** Each type of vehicle has a terrain where it performs well, and a terrain where it struggles. A hatchback is perfect for crowded and narrow city roads, but struggles on rough and slanted terrains. On the other hand, a large SUV may be difficult to navigate in the by-lanes of a city, but would work very well on rough terrains. Similarly, each investment philosophy works very well in certain market conditions, and struggles in some others. Awareness of the fact that no investment philosophy can work in all market conditions, and the conditions in which an investment philosophy will struggle, is extremely important for it to work in the long term.

- **DIY or delegation:** Some of us like to design our own houses, while some of like to avail the services of an interior designer. Both ways work. Similarly, in investing, you can either manage your own affairs, or can avail the services of a professional. This has to be thought at multiple levels - Portfolio (self-managed or financial advisor), Vehicle (direct investments or via funds), Product (Active or Passive). Some considerations at this stage include knowledge & expertise, time available, fees/incentives, ability to trust, mis-selling etc.

An honest evaluation of oneself on the above parameters will lead to the ideal investment philosophy. Notably, an investor will have to run multiple iterations of the above to arrive at a final investment philosophy, as each factor is inter-linked. More importantly, the investor will have to review and modify the investment philosophy at suitable intervals (preferably once in a few years) along her investment journey.



THE PURPOSE OF OUR INVESTMENTS ARE UNIQUE TO US, EVEN AS WE ALL INVEST TO MAKE MONEY. MORE IMPORTANTLY, OUR INDIVIDUAL PERSONALITIES HAVE A SIGNIFICANT BEARING ON OUR INVESTMENT OUTCOMES. THEREFORE, IT IS IMPORTANT THAT WE IDENTIFY AN INVESTMENT PHILOSOPHY THAT BALANCES OUR INVESTMENT OBJECTIVES AND OUR FINANCIAL PERSONALITIES.



Limitations of an Investment Philosophy

As discussed above, no investment philosophy works in all market environments. Thus, it is not a returns maximisation tool. It is also not a guarantee to earn market beating returns. In fact, returns are an outcome of a number of factors, only one of which is your investment philosophy. Other factors like liquidity, economic cycles, your behaviour, as well as luck will also impact your returns.

There is no one-size-fits-all investment philosophy. Therefore, neither follow blindly what your friends/colleagues/relatives/experts are doing, nor seek a plan that provides the best short term results. Remember that markets are cyclical. What works today may not work tomorrow. Hence, seek an investment philosophy that is

tailored to your objectives and personality. Also remember, the best investment plan is one that you can stick to, during good times but especially during bad times. After all, your actions during the bad times will define how good the forthcoming good times will be.

Closing Thoughts

The purpose of our investments are unique to us, even as we all invest to make money. More importantly, our individual personalities have a significant bearing on our investment outcomes. Therefore, it is important that we identify an investment philosophy that balances our investment objectives and our financial personalities.

It is important to understand that an investment philosophy is just a broad set of guiding principles (like a compass), and not a narrow set of rules to follow each day (like a map). In that context, it is similar to the social, cultural, and religious principles that guides each one of us through our own lives. None of these principles can help avoid the many struggles of life, although they can provide the strength to be resilient during such times. Similarly, no investment philosophy works in all phases of the markets, although a well-defined one can reduce the stress of drawdowns.

Lastly, it is worth remembering that there is no one investment philosophy that works for everybody. In fact, with the same investment philosophy, two investors can very well have different outcomes based on their own personalities. Therefore, it is important to identify an investment philosophy that suits oneself, and more importantly, that one will be able to stick to during good times, and bad. After all, long term success in investing depends on the ability to resist the tendency of letting stock prices drive our investment emotions.

The author would like to thank Nitish Pandey for data and editorial support.

Disclaimer: Mutual Fund investments are subject to market risks, read all scheme related documents carefully.

Tejas is the fund manager for Tata India Tax Savings Fund. He joined TATA Asset Management in Dec 2019 as Principal Officer and Head of Portfolio Management Services, a position that he held until March 2021.

He comes with a rich and diverse experience of over 14 years in the equity and fixed income markets.

Prior to joining Tata Asset Management, he worked for over four years with Tamohara Investment Managers, where he led the investment team and managed the flagship long-only small- & midcap portfolio, Tamohara Long Term Equity Strategy.

Prior to Tamohara, he worked for over six years with Barclays Wealth India across equity research, fixed income advisory, and investment strategy roles. He started his career as a credit analyst at CARE Ratings.

He holds a Master in Management Studies (MMS - Finance) and a Bachelor of Science (B.Sc. -Mathematics) Degree from the Mumbai University.

In his free time, he enjoys reading widely and curates a weekly reading digest. During breaks from work, he enjoys spotting birds and tracking wild animals and is a self-taught wildlife photographer.

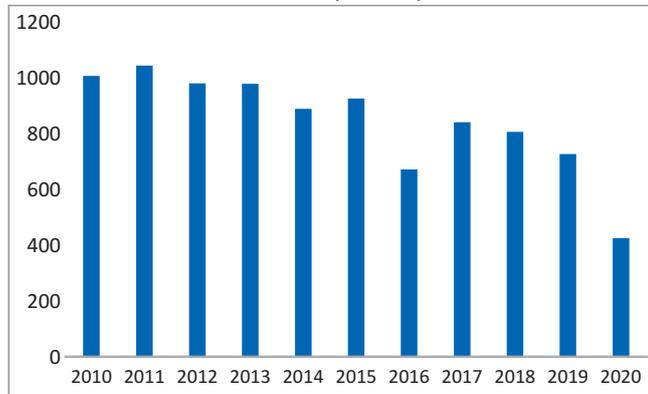


CHANGING DYNAMICS OF THE INDIAN PRECIOUS METALS MARKET

Chirag Sheth
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India is the second-largest gold consumer in the world and with limited local mining, is heavily dependent on imports to fulfil its requirements. This negatively affects India's trade deficit and has led successive governments to introduce measures to control the flow of metal into the country. To that effect, the government has increased import duties, made declaration of PAN card compulsory for high-value purchase and imposed restrictions on cash transactions above Rs.200,000. Further to this, the introduction of the Goods and Service Tax in 2016, the imposition of tax collected at source (TCS) and bringing gold under the purview of the prevention of money laundering act (PMLA) were some of the other measures that affected the gold market. While some of these steps have brought in transparency in the system, it has done little to discourage consumers from buying gold.

Chart1: Indian Gold Demand (in tons)

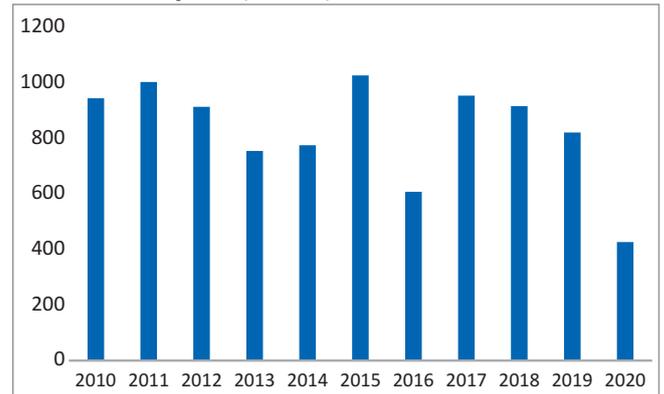


In this section we shall look at some of the new initiatives which will unfold this year and how they will impact India's gold market. One of them is the gold monetisation scheme which was first introduced in 2015. The objective of this scheme was to monetise the gold lying in households and religious institutions. It is estimated that Indians hold some 25,000t of gold. This was aimed bring household gold out into the system, thereby reducing the burden on imports. However, the scheme failed to generate interest. The government thus, rolled out a new scheme with changes to deposits, metal loan and ease of doing business. This is likely to improve participation if implemented in earnest.

Other market infrastructure changes like introducing the India Good Delivery Standard (IGDS), compulsory hallmarking, and setting up gold spot exchange are likely to

alter the Indian gold industry. Earlier, only London Bullion Markets Association (LBMA) accredited gold bars were accepted by the domestic commodity exchanges for delivery; however, to promote the government's initiative of Atmanirbhar Bharat, IGDS was introduced by the Bureau of Indian Standards (BIS). The standard will help BIS accredited Indian refineries to deliver their bars on the exchange. To that effect, exchanges like NSE, BSE and MCX have empanelled eligible refiners who satisfied the specified criteria.

Indian Gold Imports (in tons)

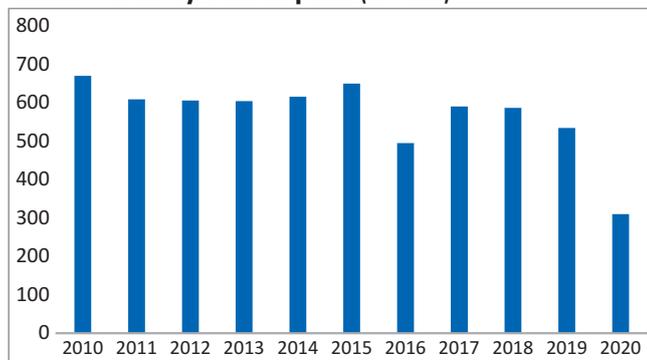


MOVING ONTO THE SPOT EXCHANGE, THE SECURITIES EXCHANGE BOARD OF INDIA (SEBI) HAS RECENTLY PUBLISHED A CONSULTATION PAPER ON THE PROPOSED DOMESTIC GOLD EXCHANGE. THE PAPER AIMS TO SOLICIT COMMENTS FROM VARIOUS STAKEHOLDERS TO OPERATIONALISE THE EXCHANGE.



That aside, the hallmarking law was introduced in 2000 voluntarily to bring in more transparency and common purity standards. As such, it did little to resolve the issue of under-caratage in jewellery. Eventually, after several postponements, the mandatory hallmarking law has now come into force from 16th June 2021 in 256 districts. According to the new legislation jewellery retailers are expected to have their jewellery hallmarked by a BIS registered Assaying and Hallmarking Centre (AHC). Jewellers are permitted to sell 14, 18, 20, 22, 23 and 24 carat articles, all of which must be certified by the BIS. Furthermore only BIS registered jewellers can sell gold jewellery. Failing to adhere to the norms a jeweller will be liable to a fine of more than Rs. 1,00,000 or five times the value of jewellery sold (whichever is higher).

Indian Jewellery Consumption (in tons)



That said, the implementation of the law comes with various challenges. To mention a few, the geographical distribution of AHCs is not evenly spread, and there are only 954 AHCs in about 250 cities. This will increase logistical costs for the jeweller. Moreover, only 40,000 jewellers have registered with BIS out of the country's estimated 250,000-300,000 jewellers. However, once the necessary infrastructure is ready, the hallmarking law has tremendous potential to generate trust in the industry. Additionally, it will make a level playing field for the large and small players in the retail space.

Moving onto the spot exchange, the Securities Exchange Board of India (SEBI) has recently published a consultation paper on the proposed domestic gold exchange. The paper aims to solicit comments from various stakeholders to operationalise the exchange. The main objectives of the exchange are to achieve better price discovery, greater transparency, increased gold recycling and, finally, to promote the India Good Delivery standard (IGDs).

Focusing on the framework, SEBI has proposed that existing exchanges can establish a spot market within the same system. Market participants can deposit gold with the vault manager, converting the gold into a tradeable Electronic Gold Receipt (EGR). The EGR is proposed to be denominated in 1kg, 100g, and 50g for physical delivery. However, smaller denominations, such as 5g and 10g, may also be allowed for trading purposes. Once the trade is executed, the owner of the EGR can hold it perpetually as an

investment. However, the vaulting charges will have to be borne by the owner. If the owner wishes to take physical delivery of the metal, EGR will have to be redeemed, which can then be converted into physical form.

The delivery of the metal is proposed to be fungible and interoperable. For example, for gold deposited against an EGR in Mumbai, a market participant can obtain the delivery against another EGR with similar contractual specifications from the same or a different vault manager in Delhi. Moreover, the proposed mechanism of the additional delivery centres and the base delivery centre will help increase efficiency. However, the delivery costs and the IGST will have to be borne by the owner of the gold. The proposed framework has the potential to transform the Indian gold industry. This will help move towards uniform gold pricing across the country, increasing transparency and generating trust between the trade and consumers, resulting in increased participation.



AS A RESULT, THE INDIAN GOLD INDUSTRY IS GENUINELY ON A PATH OF TRANSFORMING ITSELF INTO A WORLD-CLASS MARKETPLACE. EFFECTIVELY, THE ECOSYSTEM SURROUNDING THE GOLD INDUSTRY IN INDIA IS MOVING FROM OPAQUE AND UNORGANISED TO MORE TRANSPARENT AND ORGANISED.



As a result, the Indian gold industry is genuinely on a path of transforming itself into a world-class marketplace. Effectively, the ecosystem surrounding the gold industry in India is moving from opaque and unorganised to more transparent and organised. Such steps taken by the government is likely to strengthen the faith of the consumers and the stakeholders leading to broader participation.

Chirag has over 16 years of experience in precious metals trading and research and has worked with UBS, LM Commodities and UTI Securities. Chirag is responsible for precious metals research and consultancy work for Metals Focus, focusing on South Asia and South-East Asia. Chirag was also part of the Niti Aayog Sub-committee on transforming India's gold market and is on the product advisory committee of the National Stock Exchange of India, Multi Commodity Exchange and Bombay Stock Exchange on precious metals. Chirag holds a Bachelors in Management and a post-graduate in management and finance.



WEALTH TECH AND THE ROAD AHEAD

Anurag Garg, CFA
 Founder & CEO, Nivesh.com
 A venture of Providential Platforms Pvt Ltd

India has remained at the bottom of the charts globally as far as investments in financial products like mutual funds has concerned in spite of being counted as a top saving nation (average saving rate of 30% of GDP). India's MF AUM to GDP ratio at 12% is amongst the lowest and way below the global average of 63%. Most other developing nations like Brazil are much higher at around 50-60% of GDP. Developed nations are almost at 100% of GDP. Large part of savings goes in the physical assets like gold and real estate or to traditional avenues like bank deposits.

The reasons for the low penetration are well-known – lack of awareness and lack of access. Awareness about financial products has increased over the years, thanks to significant efforts in that direction and media coverage. Focused campaigns like 'Mutual Fund Sahi Hai' helped create significant awareness. However, access to financial products remains extremely low for the vast majority of population. As a result, top 15 cities contribute to almost 85% of mutual funds assets! Access and awareness to other possible instruments like bonds is even worse with no data available in terms of penetration. Our study shows that the current penetration is concentrated in the cities where India had stock exchanges earlier (like Ludhiana, Lucknow, Indore), which again validates the access related theory.

Technology has come as a big boon to solve the problem of low penetration of investment products. There is a constant shift to online way of investing and this shift is likely to fully play out in the current decade. There are many start-ups attempting to solve this with their own business models. Traditional firms are also trying to catch up by investing huge amounts in technology. All such technology initiatives fall in the ambit of "Wealth Tech".

Why Wealth - Tech will Lead the Growth of Investments in the Current Decade?

Technology is helping solve multitude of issues which were historically hindrance in creating access to the investment products for the masses:

- **Which is the right product for me:** A question in every investor's mind, and a constant one. A

technology platform can make available each and every product option and suggest the right one based on investor's financial goals, risk preference and time horizon. A technological answer is free of biases and is consistent across thousands of users. That helps in building the important "trust" in highly trust deficit Indian society. If the right product is made available to an investor linked to his financial goals, the probability of his sticking to the plan is much higher.

- **Quick and easy transaction process:** Imagine need of filling a 5 page application form for a simple SIP! That too by someone who hardly understands what is written in those pages. Then deposit the form at an MF office or RTA office, which may be anywhere between 10kms to 100kms away from the house of the investor. Then the application itself could be rejected for variety of reasons. Research proves that a sale for any product can be closed quickly only if the transaction is completed smoothly in quickest possible time. Longer the time gap between the decision and closure of transaction, greater the possibility of the customer changing his mind. Technology platforms have enabled transactions in financial products with few clicks within an app on a simple mobile phone. This is nothing short of a revolution!
- **What is happening to my investments:** Investing used to be a 'black box' till some-time ago. People would invest and forget as there was no easy way to track value of investments. Remember searching for price quote of stocks on the pages of Economic Times? Due to lack of transparency on current value, repeat business from the same investor never happened. Now the investors are relishing the ease at which they can check value of their investments.
- **Other freebies:** Technology enables many other features like generating any report in few clicks, alerts and notifications related to transactions or products, downloading statement of accounts in a real-time manner and so on.
- **Lower cost:** With no need of physically meeting a customer and spending inordinate amount of time to convince him to invest in a product, the cost of customer acquisition, transaction and servicing for Wealth Tech firms is substantially lower compared to

traditional players. This opens up the possibility of acquiring the small customers who were unprofitable earlier. This itself is going to be a big driver for increasing the penetration of investment products.

- **Local languages:** This was another barrier in country like India where you find a new language every few hundred kilometres. Technology can learn and speak any language! This helps in easily communicating with a much wider audience for a Wealth Tech firm as compared to the traditional players.



THERE IS A CONSTANT SHIFT TO ONLINE WAY OF INVESTING AND THIS SHIFT IS LIKELY TO FULLY PLAY OUT IN THE CURRENT DECADE. THERE ARE MANY START-UPS ATTEMPTING TO SOLVE THIS WITH THEIR OWN BUSINESS MODELS. TRADITIONAL FIRMS ARE ALSO TRYING TO CATCH UP BY INVESTING HUGE AMOUNTS IN TECHNOLOGY. ALL SUCH TECHNOLOGY INITIATIVES FALL IN THE AMBIT OF WEALTH TECH.



The Road Ahead

Technology is going to be a game changer over next few years as far as wealth business is concerned. It will drive innovation on many fronts - products, distribution, engagement with customers, servicing, etc.

A better experience will make customers also more demanding. They would expect a contemporary experience even if they are not investing large amount. Wealth management was hitherto preserve of only ultra HNIs. However, Wealth Tech firms are changing all this and very rapidly. Now a Bond issue by an NBFC can be placed with much larger number of investors spread across the country. We are also witnessing huge demand for shares of unlisted companies / start-ups from tier 2 / 3 towns.

There is huge investible surplus available in India. As per data released by the Reserve Bank of India (RBI),

outstanding bank deposits stood at Rs. 151 lakh crore as on 26 March 2021, a growth of 11.3% from the same period last year. Contrast this with only Rs. 30 lakh crore in mutual funds assets. This data point itself illustrates the opportunities available for players in investments space. However, to be able to go after this, adoption of wealth technology is paramount.

Newer business models will emerge rapidly. Traditional firms and banks will look at working closely with new age wealth technology start-ups. We also see many full-stack digital eco-systems emerging. These platforms will add value at all levels of the chain - manufacturers, distributors and customers. They will endeavour to solve multiple problems for the customer in one go. For example, one would be able to find right insurance product to provide risk cover, right investment plant to take care of multiple financial goals and right mortgage options for acquiring physical assets at one single place, all facilitated by technology. And then the platform will hand-hold the customer through the journey, which may span 15-20 years, providing options to re-balance or add new products at a life event like birth of a child.

Existing distribution channels and the wealth technology platforms will also need to work together to create a win-win proposition. Human element will continue to be important and cannot be wished away in a country like India, particularly when it comes to investments.

All this is also going to help a big way in financial inclusion, as masses find safe avenues to park their savings. One of the primary reasons for many scams in rural areas has been lack of access to safer products like mutual funds.

Automation of stock exchanges in 90s completely changed the way people invested in stock markets. Similarly, wealth-tech firms are going to lead the change in the way people invest their savings in the current decade!

Anurag is Founder and CEO of Nivesh.com, an award-winning digital first financial products distribution platform. Nivesh was included in Wealth Tech 100 in 2020, which is a list of top 100 wealth technology start-ups globally.

He has 25+ years of experience, which is a unique blend of financial technology, research & data.

Earlier he had Co-founded www.mutualfundsindia.com, rated among best 150 in the World by Forbes. The company was later acquired by ICRA Ltd., subsidiary of Moody's Corp. His last assignment was as President - Research & Information Services at Dion Global Solutions, where he worked with more than 250 BFSI clients across India and globally. He played key role in building automated data extraction technology at Grids tone Research, which was appreciated and acquired by multiple large players in global information services. During early part of career, he had worked in various financial firms in India, including as Head of Research for Taurus Mutual Fund.



INDIAN INDICES ALL TIME HIGH, WHATS NEXT?

Ayush Aggarwal
CIO (Chief Investment Officer) – SMC Private Wealth,
Director – SMC Group

India GDP for Q4-Jan-March, 2021 grew by 1.6% better than the consensus estimate. It reflects that economy was rebounding faster till the sudden and massive second wave of the pandemic with a much more contagious new strain of virus hit the nation in April & May. The economic activity is expected to slow down by at least 10-15% during Q1-April-June 2021 quarter as compared to the preceding one however growth is expected to be in a high year on year due to a lower base as the economy contracted more than 24% in the same quarter last year due to stringent national lockdown.

The economy this year is less disrupted compared to last as lockdowns are regional and less stringent. However, substantial adverse impact will be seen compared to the preceding quarter. The economy may recover from July onwards as cases are coming down very fast currently than when it was at its peak in May.

It is also expected that the second half of the current financial year may turn out to be better as the population is getting vaccinated with 220mn doses given and the pace is expected to pick up further in forthcoming months as the government is targeting a whole adult population of around one billion to get vaccinated by December end this year. However, in between the fear of the third wave will persist and everyone agrees that a long-term solution is possible only through vaccination to fight this pandemic.

Indian Economy in the Times of COVID-19

India recorded a 1.6% growth in the fourth quarter of FY2020-21 indicating that an economic recovery was well underway before the second wave of virus struck. The economy contracted by 7.3% for the entire year, better than what the advance estimates predicted at 8%. Gross Value Added (GVA) which is a more accurate way of assessing the growth in the economy contracted by 6.2% for the entire year, while the fourth quarter GVA grew by 3.7% indicating that the economy was on the mend.

The better numbers for the fourth quarter have been driven by an exceptional performance of construction sector which grew by 14%. The utilities including gas,

electricity and water supply performed better with 9.1% growth. On the other hand, services comprising hotels, trade and transport contracted by 2.3%. Private consumption continues to lag which form a substantial part of the economy.



THE ECONOMY THIS YEAR IS LESS DISRUPTED COMPARED TO LAST AS LOCKDOWNS ARE REGIONAL AND LESS STRINGENT. HOWEVER, SUBSTANTIAL ADVERSE IMPACT WILL BE SEEN COMPARED TO THE PRECEDING QUARTER. THE ECONOMY MAY RECOVER FROM JULY ONWARDS AS CASES ARE COMING DOWN VERY FAST CURRENTLY THAN WHEN IT WAS AT ITS PEAK IN MAY.



The RBI Initiative

The RBI as expected held the rates in its recent monetary policy announcement and continues with an accommodative stance with a focus on economic growth as inflation currently is within the RBI range. It has indicated to support growth measures post the second wave of the Covid-19 pandemic at least for the next one year and further as may be needed. The RBI continues to inject sufficient liquidity for better transmission of interest rate cuts in the system. Forecasts of economic growth for the current fiscal have been trimmed by around 2-3% by most of the estimates due to the impact of the second wave of coronavirus.

The various headline numbers were improving continuously till March but the second wave of pandemic slowed down things a bit. However, the impact this time seems to be limited as lockdowns were regional and not that stringent as last year with industrial activity continuing in most of the places. The factory activity expansion continued however slowed substantially with

Manufacturing Purchasing Manager Index (PMI) for May, 21 which turned out at 50.8 compared to 55.5 in April.



THE MARKET RALLY HAS BROADENED IN THE LAST FEW MONTHS WITH MIDCAP AND SMALL-CAP INDICES CATCHING UP WITH THE LARGE-CAP SEGMENT. HOWEVER, CURRENTLY, THE MARKET HAS AGAIN BECOME CONSCIOUS AND SEEKING REFUGE IN DEFENSIVES. HOWEVER, IN THE MEDIUM TO LONG TERM, THE MIDCAP AND SMALL-CAP WILL CONTINUE TO PROVIDE MANY OPPORTUNITIES TO THE INVESTORS SITTING ON CASH WITH A RISK APPETITE.



However, services PMI contracted for May at 46.4 compared to 54 in April as services require higher interpersonal activity and more adversely impacted compared to manufacturing under lockdowns. There are no two views that economic activity will slow down in the quarter ending June 2021 as compared to the preceding quarter, as the pandemic current wave was much severe with various states and regions announcing extended lockdowns. It seems that normal recovery towards sustainable growth maybe a few quarters away and under current circumstances, some sectors like hospitality, retail, tourism and aviation etc may take more time to reach near its normal.

The corporate earnings for the quarter and year ending March 2021 are pouring in since the first week of April and most of the results including private banks and non-banking finance companies are in line with expectations till now. The control on the current wave of the pandemic in India and global clues on Covid-19 vaccination is expected to drive the markets going forward.

The global economy is expected to see substantial recovery during 2021 & 2022 on the back of faster vaccination against Covid-19. Moreover, as the pandemic situation subsides India is expected to do better relatively. The earnings are expected to be better in FY2021-22. However, short term concerns will remain with the second wave of pandemic and regional lockdown imposed in many states. The market is expected to continue with positive bias post-Union

Budget and RBI accommodative monetary policy pronouncements as sufficient liquidity expected to keep interest rates low for time being.

The banking sector post decent catch up in March quarter is under consolidation and expected to do well in medium to long term although some concerns on asset quality will remain in the short term as economic activity slows down post current wave of the pandemic. The corporate performance in the next 2-3 quarter will be watched closely for the sustainability of the economic recovery. The stimulus along with various structural reforms announced by the government and easy monetary policy by RBI will be positive for the economy in the mid to long term however in short term the corporate sector will remain under some stress amid this unprecedented health crisis seen post-independence.

The rising bond yields in the last few months have raised concern among global investors and fund inflow to emerging markets has slowed down a bit. The higher bond yields can spook the equity and currency markets in short term. However, massive liquidity in the system, backed by lower rates by central bankers across the globe, is expected to keep the interest rate regime benign at least in the next few quarters till the economy recover back to its normal.

The market rally has broadened in the last few months with midcap and small-cap indices catching up with the large-cap segment. However, currently, the market has again become conscious and seeking refuge in defensives. However, in the medium to long term, the midcap and small-cap will continue to provide many opportunities to the investors sitting on cash with a risk appetite. The investors can continue to put money on dips keeping in mind the overall asset allocation.

As the COVID-19 situation subsides the markets may see further recovery but any sustainable upside depends on how the government implements measures announced in FY2021-22 Union Budget. Hence, only long-term money with a time horizon of more than 3 years can be invested in equities as opportunities are still available. The market is expected to provide good opportunities in various segments but stock selection will be the key.

Ayush Aggarwal is a young dynamic business leader. He is an MBA (PGP-FMB) from SP Jain Institute of Management and Research, Mumbai, and a graduate from Delhi University. He has a great understanding and an in-depth knowledge of financial Market. He is the CIO (Chief Investment Officer) of SMC Private Wealth Vertical at SMC Global Securities Ltd. managing and handling portfolio management activities. He has an excellent understanding of the various Macro & Micro factors driving the economy and financial markets. He has a knack of Identifying high growth potential as well as fundamentally strong companies. HNI clients at SMC have benefitted significantly from his practical and pragmatic views.

EXAMINING THE PERFORMANCE AND SECTOR DIVERSIFICATION OF THE S&PBSE SENSEX 50

Ved Malla
Associate Director, Client Coverage, S&P Dow Jones Indices



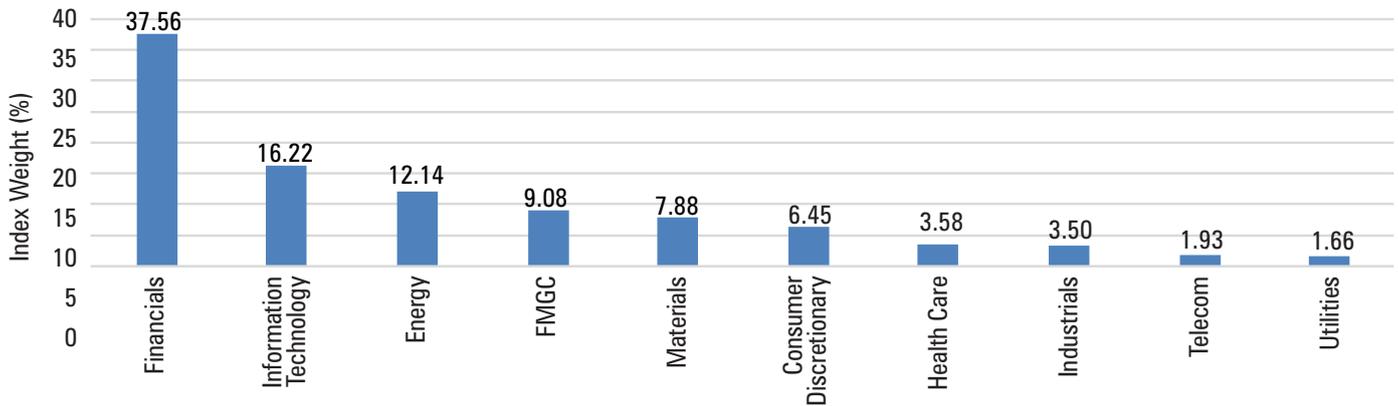
The S&P BSE SENSEX 50 is designed to measure the performance of the top 50 largest and most liquid companies in India. The index constituents are weighted based on their float-adjusted market cap and must have a minimum annualized trading value of INR 10 billion. The S&P BSE SENSEX 50 is a highly diversified index, and its 50 constituents provide exposure to all 10 major sectors: Utilities, Telecommunication Services, Information Technology, Industrials, Healthcare, Fast-Moving Consumer Goods (FMCG), Finance, Energy, Consumer Discretionary, and Basic Materials.



THE RETURNS OF THE S&P BSE SENSEX 50 HAVE BEEN PROMISING OVER THE PAST 10 YEARS. THE TOTAL RETURNS INDEX VALUE HAS GONE UP FROM 6,095.76 ON MAY 31, 2011, TO 20,092.21 ON MAY 31, 2021, REFLECTING AN ABSOLUTE RETURN OF 230%.



Exhibit 1: S&P BSE SENSEX 50 - Sector Composition

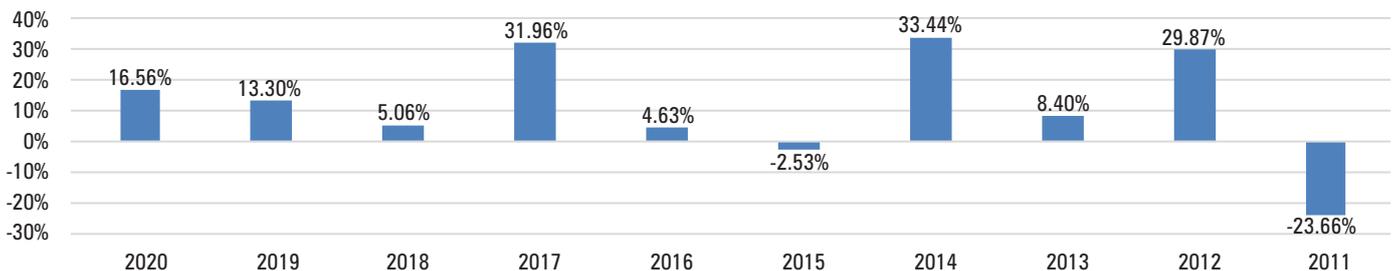


Source: S&P Dow Jones Indices LLC. Data as of May 31, 2021. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

Exhibit 1 presents a pictorial representation showing the weight of the 10 sectors of S&P BSE SENSEX 50, as of May 31, 2021. We can see that the Financials and Information Technology sectors had the highest representation, at 37.56% and 16.22%, respectively, while the Telecommunications and Utilities sectors had the least representation, at 1.93% and 1.66%, respectively.

The returns of the S&P BSE SENSEX 50 have been promising over the past 10 years. The total returns index value has gone up from 6,095.76 on May 31, 2011, to 20,092.21 on May 31, 2021, reflecting an absolute return of 230%.

Exhibit 2: S&P BSE SENSEX 50 - Total Return Performance across the 10-Year Period



Source: S&P Dow Jones Indices LLC. Data from May 31, 2011, to May 31, 2021. Index performance based on total returns in INR. Past performance is no guarantee of future results. Chart is provided for illustrative purposes.

From Exhibit 2, we can see that in 8 out of 10 calendar years, the S&P BSE SENSEX 50 posted positive returns. The highest total returns of 33.44%, 31.96, and 29.87% occurred during 2014, 2017, and 2011, respectively. 2011 was the only year during which the index posted a significant negative return of -23.66%.

PERIOD	TOTAL RETURNS (%)	RISK (STANDARD DEVIATION, %)	RISK-ADJUSTED RETURN
3-Year	14.71	22.03	0.67
5-Year	15.74	18.40	0.86
10-Year	12.67	17.72	0.73

Source: S&P Dow Jones Indices LLC. Data from May 31, 2011, to May 31, 2021. Index performance is based on total return in INR. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Exhibit 3 shows the annualized risk/return profile of the S&P BSE SENSEX 50 for 3-, 5-, and 10-year periods. Overall, the index's returns were promising across all periods observed.

CONSTITUENT	SECTOR	WEIGHT (%)
Reliance Industries Ltd	Energy	10.49
HDFC Bank Ltd	Financials	9.28
Infosys Ltd	Information Technology	7.67
Housing Development Finance Corp	Financials	6.91
ICICI Bank Ltd	Financials	6.87
Tata Consultancy Services Ltd	Information Technology	4.91
Kotak Mahindra Bank Ltd	Financials	3.55
Hindustan Unilever Ltd	FMCG	3.14
Axis Bank Ltd	Financials	2.97
ITC Ltd	FMCG	2.84

Source: S&P Dow Jones Indices LLC. Data as of May 31, 2021. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

Exhibit 4 shows the top 10 constituents of the S&P BSE SENSEX 50 along with their corresponding sectors. We can see that Reliance Industries Ltd holds the highest weight, at 10.49%, followed by HDFC Bank Ltd at 9.28%. Furthermore, 4 of the 10 major sectors are well represented in the top 10 list.

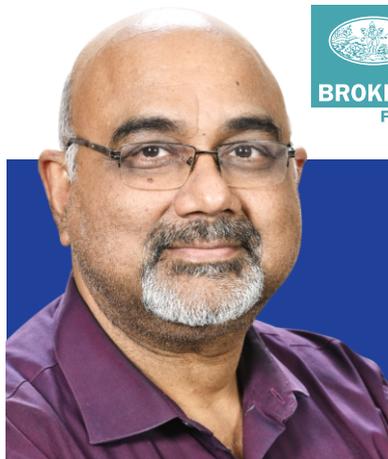
To summarize, we can state that the S&P BSE SENSEX 50 is a well-diversified, liquid index that has a history of strong performance over the past decade.

This article is not an advice. Please read at <https://www.spglobal.com/spdji/en/disclaimers>

Ved Malla is Associate Director, Client Coverage at Asia Index Pvt Ltd responsible for client relationships in India and its neighboring countries. His objective is to expand business in the region. In addition, he is responsible for compliance and corporate secretarial work.

He has extensive experience in the financial services industry. Prior to joining S&P BSE Indices, He worked with the two leading Indian stock exchanges (NSE and BSE), playing an integral role in the growth of their index and market data productions. Previously, He was associated with Birla Sunlife Mutual Fund, where he was part of the compliance department.

He has an MBA in Marketing from the Narsee Monjee Institute of Management Studies (Mumbai). Ved also received his Company Secretary certificate from the Institute of Company Secretaries of India.



INSURANCE INDUSTRY – THE OPPORTUNITIES AHEAD

Prof. Manoj K Pandey
Associate Professor, BIMTECH

Origin of Insurance

The provision for safety, security & help which is the essence of the insurance has been an integral part of human development itself. Our old traditional set-up of joint family is still the best insurance plan for any family. However, the commercial avatar of insurance started from marine / trade business in 16th century and since then it has travelled miles to become an integral part of the entire trade & economy sphere all around the world. India got its first local insurance company in 1869 & in that way the Indian insurance sector completed its 150th year recently. The establishment of the office of Controller of Insurance & the enactment of the insurance act 1938 had been distinct milestones in India. This 1938 act continues to be the mother act for all acts, regulations & rules since then.

Nationalisation & Opening up

With the purpose of channelizing the saving of the citizens for nation building, Government of India nationalised life insurance business in 1956, banks in 1969 and general insurance business in 1972. This socialistic step taken by the government ensured expansion of the bank / insurance offices network at district level. Our country witnessed an unprecedented economic crisis in early 90s & as per the dictate of the multilateral agencies & the trade blocks, the government had to agree for the opening up of the Indian market, including insurance. The strong emotional link with Govt. owned insurance companies, the attached sovereign guarantee of corpus in case of LIC & the strong unionized cadre delayed the process & the sector could open only in year 2000 with the entry of a private companies.

The establishment of the regulatory office i.e. IRDAI ensured a proper control over development initiatives & regulatory control. Safeguarding the interest of the policy holders has been the top agenda for the IRDAI. It brought in place strict solvency & distribution related regulations. Getting new channels of distribution to reach to far flung places in country has also been an achievement. In the recent past, the IRDAI has been found to be very forward looking & open to experimentation with new ideas and Technologies by bringing “sandbox” approach in its working.

Present Status

During the last two decades of privatisation, riding on the overall growth of the economy, the industry had massive expansion in business volume. Today we have around 70 insurance & reinsurance companies operating against just 5 in year 2000. The industry eco-system also encouraged the arrival & engagement of other supporting entities such as corporate agencies, insurance broking firms, TPAs, web-aggregators & a host of insurtech ventures facilitating awareness, sales, on-boarding & servicing in insurance domain & thereby increasing employability of the youths.



THE INSURANCE COMPANIES ARE ALSO UPGRADING & INTEGRATING TECHNOLOGY FOR THE FUTURE. #INSURTECH IS THE BUZZ WORLD THESE DAYS. THE NEW TECH SAVVY ENTREPRENEURS ARE FINDING OPPORTUNITY IN BRINGING DISRUPTION TO THE INSURANCE DOMAIN THE WAY #FINTECH DID TO BANKING INDUSTRY EARLIER.



As per the latest available IRDAI annual report (2019-20) Indian insurance industry got a gross premium income of Rs 7.61 lakhs Crores there by contributing to 3.76 % of GDP (insurance penetration), way behind the world’s average figure of 7.25 %. This figure was 2.09 % at the time of privatisation i.e. in year 2000. On other parameter i.e per capita insurance premium (Insurance density) we have the figure at \$ 76 against the world average of \$ 818 .This figure was just at \$11.5 in 2000. This not so impressive figures in comparison to the average world figures are mainly because of the low awareness & offtake of non-life insurance products in India .While in

developed nation the life & non-life sectors contribute almost in same proportion, in India it is highly skewed in favour of life insurance. It is because of the fact that bulk of life policies sold here are saving and investment oriented. Life insurance as a tool of risk mitigation is yet to be understood. One thing is very clear that the industry has not tapped the true available potential of the business yet.

The positive development in non-life sector is the growing contribution of health insurance over past few years. Riding on the push from Government, Crop insurance too is contributing far more now. However, the cut throat price competition in corporate line of business is a concern even for the regulator. Almost 1/3rd of the companies placed in the lower side of the business volume ranking chart in both the sectors i.e. life & non-life are still to make a mark. The possibility of some merger & acquisition can not be ruled out in near future.

LIC IPO

Going by all indications this fiscal may witness the listing of the LIC. The LIC of India has been the "Jewel in Crown" among the PSUs by virtue of its might & contribution in national development. It has been also a saviour for the IPOs of all other PSUs in past. Though the immediate reason for this IPO can easily be attributed to the fiscal constraints of the Government but a successful launch would impact the stock market in a big way. With the underlying AUM of around 35 lakhs Crores LIC is expected to have a market capitalisation of over 10 lakhs crore making it one of the biggest listed entity.

Life insurance is a complex business with long term implications. The actuarial assumptions plays a vital role in its valuation. Unfortunately the two general insurance PSU companies i.e. GIC Re & NIA which got listed earlier found to have got a higher valuation as reflected by their current market price & hence the investors would be a bit cautious about LIC offer price too. But the good point is that even Government can not take a risk of getting LIC's IPO failed as there is no one to rescue it. LIC used to rescue all PSU IPOs. Fortunately all the three listed life insurance companies are doing well on the bourses & their financial parameters should be taken as a reference for the valuation exercise of LIC. If priced properly, the LIC offer should be a great investment opportunity to the investors. The demographic profile of our country & the improving economic standard of the population provide a great business opportunity for life insurance companies. The policyholders are also likely to get benefited out of this listing. The board driven work culture & the transparency which are expected to come along with this listing will improve the working of the institution and it should be a win-win situation for all.

The Opportunities ahead

During the last two decades of opening up, India has been performing well on all vital economic parameters. In spite of the temporary setback because of the Covid19 induced pandemic, by all means India is expected to lead the world in recovery. **With the following favourable factors in place India is a very attractive market for insurance companies & the road ahead is really exciting for all stakeholders.**



ALMOST ALL THE BANKS / NBFCs ARE NOW PART OF INSURANCE DISTRIBUTION ECO-SYSTEM UNDER CORPORATE AGENCY CHANNEL & HENCE A HASSLE-FREE INSURANCE COVER IS ARRANGED AT THE TIME OF DISBURSEMENT OF THE LOAN ITSELF.



Demography: India has a big population base of over 135 Crores. The best part is that it is still growing & for few more decades the youth segment would dominate it. There is a perceptible change in outlook & the youth of today appreciate the importance of insurance in their financial planning. Opting for group credit or mortgage cover while availing loan from banks / NBFCs is a cool affair now. The non-availability of a proper social security is an opportunity for the life insurance companies to offer good retirement solutions & that market segment is growing too. The protection & retirement plans would hold the key in coming years.

Untapped Rural Base: The benefit of privatisation could not reach to the lower tier cities & the rural India because of the associated high transaction costs in traditional distribution set ups. The regulatory authority had to bring minimum business rule to force insurance companies to do business in rural part. The technology is becoming a solution for this problem & the insurance companies have started looking rural belt as the new growth prospect riding on low cost tech based distribution channels. It is now possible to transact insurance business over a smart phone thereby reducing the cost & making even a small ticket policies financially viable. It is heartening to see people even in rural base buying small ticket policies from e-commerce platforms such as Flipkart & Amazon. The internet based local distribution outlets such as Ministry

of Information Technology driven common service centres (CSCs) are adding trust factor.

Adoption of Technology: Thanks to the fierce competition among the telecom companies resulting in to very low cost of data charges, the internet has penetrated in almost 60-70% households. People are now much more open to navigate through different mobile apps & no more fearful of experimentations. The insurance companies are making best use of social media platforms & the same is bringing a positive change in the mind sets. This familiarity with technology making people to trust the online channels & the sale is increasing. Rural market is now as close or as far as that of a metro market on these online platforms.

The insurance companies are also upgrading & integrating technology for the future. #Insurtech is the buzz world these days. The new tech savvy entrepreneurs are finding opportunity in bringing disruption to the insurance domain the way #Fintech did to banking industry earlier. There is a growing trend in adoption of social media, telematics, wearable, IoT, blockchain, drone etc. by insurance companies. The size & impact of all these initiatives may not be visible at surface right now but it would explode & change the way insurance business is transacted in very near future.

Government thrust on financial inclusion: Financial inclusion has been the top agenda of the current Government. The PM Jandhan Yojana of opening zero balance bank accounts & offering subsidised life & personal accident cover brought many people under insurance cover. As per the latest update 21.87 crore people have enrolled for personal accident policy and 9.7 crores have enrolled for life insurance cover. As of now around 4,65,000 claims have been paid with a total claim outgo of Rs. 9300 crores since its launch in August, 2014. The highly effective promotion campaign across all publicity platforms by all stakeholders raised the awareness of insurance all around.

Government has also been giving a lot of thrust for the credit facility to MSME sector through different schemes using banking channels. Majority of these loans get insurance cover as a bundled offer. Almost all the banks / NBFCs are now part of insurance distribution eco-system under corporate agency channel & hence a hassle-free insurance cover is arranged at the time of disbursement of the loan itself.

Government backed insurance schemes: To safeguard the interest of the farmers, Government brought PM Fasal Bima Yojana in 2016. It was for the first time that

the highly subsidised insurance schemes was launched at pan India level with central-state Govt. support. Though the scheme is yet to stabilised in its working but it brought crop insurance as a big new line of business & opportunity for the insurance companies. Same is the case with the universal health plan PMJAY #AayushmanBharat which brought approximately 10 crores families under family floater health cover of 5 lakhs each. Though this scheme is open for both trust & insurance model but a big chunk of business is coming to insurance companies. As per the latest statistics 1.84 crore people have got benefit of this scheme since its launch in September 2018. By delivering visible benefits to the masses, these schemes ensured the acceptance of the concept of insurance in rural areas.

Regulatory Support: In the last few years the regulatory authority IRDAI has brought many customer centric initiatives bringing a great hope for the future. They have brought in the concept of standard base policies in term life, health insurance, home cover & even for SMEs & there by bringing a sense of transparency in insurance sales. Customer grievances & its resolution is on top priority & the integrated grievance management system (IGMS) platforms works well.

The rigid solvency margin requirement & current accounting practices in place are two hindrances for inflow of FDI. The IRDAI is working on adoption of risk based solvency rule & IFRS-17 at the earliest & this would go down well with foreign investors soon.

By all means India is a signing star in world business map. Leave aside few nagging issues our seer size of population, growing middle class, available raw talent & a peaceful democratic set up makes it a dream business destination. Insurance sectors is at tipping point now. People have started understanding the importance of insurance in their lives & hence the sector has a great future ahead.

Prof. Manoj K Pandey holds a Master degree in Management from Banaras Hindu University (BHU) & is an Associate member of Insurance Institute of India. He served in Life Insurance industry for 20 years in different capacities & roles in India & Gulf Countries. He had been Resident Manager of LIC in Sultanate of Oman. His last assignment was that of Head - life & medical division insurance of a leading local insurance company in Oman.

He Birla Institute of Management Technology (BIMTECH) as Associate Professor in its Insurance program in December, 2011. He is involved in teaching & research in area of life insurance, insurance channel management & marketing. He has also handled the administrative portfolios of being course coordinator for PGDM - Insurance program & Chairperson of admission & Corporate Communication in past.

He is a member of Policyholder Protection Committee & Claim Review Committee of two different Life Insurance companies in India. He is also academic committee member of Risk Management Association of India.



A POWERFUL MESSAGE ON FINDING BALANCE IN LIFE DURING YOUR RETIREMENT YEARS

Jigish Patel
Retirement Strategist

Today parents want to teach everything to their kids at the earliest. From piano lessons to computer coding. I came across a class that teaches young children about money.

As a financial planner, it makes me happy that I will have informed clients in the years to come. This reminded me of a story I heard a long time ago related to kids and money.

There was a family that was doing fairly well for itself. The parents worked hard and kept their 2 children Rahul and Ria very comfortable. One day they went shopping and the kids entered a store. They saw very expensive jackets. Both children asked their mother to buy it for them.

She denied their request as it did not fit her budget. Clearly, the kids felt dejected. So, their father came up with an idea that they could earn the money by doing errands or sell something they made themselves.

This made Rahul and Ria excited. They decided to try the idea immediately. Rahul decided to work as a newspaper boy in the morning before school and sell lemonade in the afternoon after.

Ria decided to bake cookies and sell them. She also decided she could help by reading to her friend's siblings and earn some money. This started their money journey.

For a month they consistently worked hard and saved up the money they needed to buy the jackets. Their proud mother took them to the store so they could purchase the jackets.

The kids went happily but they didn't buy the jackets. This intrigued their father. He found out how the kids didn't want just the jackets but they even wanted a new pair of very expensive sneakers. They were ready to work again all month to do it. There was just this one problem.

The kids were working so hard they did not have any time to enjoy and play. They were sleepy and tired in school. This was a concern for the parents. Yet they

waited for a month. Now the kids went to the store again.

This time they saw new bag packs. They decided they wanted them too. Now the parents realized that these kids were not realizing that they are trapped in their need to get more and more.

Instead of enjoying what they already have. Both parents decided to speak to the kids. They explained that they were proud of the efforts both of them were put in but they had to stop.



A PERFECT BLEND OF INVESTMENTS IN THE PORTFOLIO, CONSISTENTLY MONITORED HELPS MY CLIENTS TO SAVE FOR RETIREMENT TOMORROW WITH PEACE OF MIND TODAY.



They must use the money for their original plan of buying the jackets. The remaining amount half would be used for giving away food clothes and books for underprivileged kids. The other half would fund a party for the children's friends to celebrate their success as mini entrepreneurs and enjoy with family and friends.

The kids realized their mistake and were happy to do as told. They understood that earning money was a good thing but the more important factors of life like family, friends, helping others was more valuable.

This story I even tell my clients. Setting a financial goal helps them understand what they really need for the future. They must also set goals for other things that they enjoy doing.

That is what complete retirement planning is all about. It helps the client earn spend and save at a pace that lets them enjoy their present as well as enjoy the retired life.

A call with me helps the client gain clarity about where they stand. What they really want. Many clients are so worried and tense as they don't know where to invest, how to go about it.

They need only "JACKETS" for retired life but they worry about the extra "SHOES" and "BAG PACKS". This adds pressure on their current life. They work extra hours and miss on quality family time. They curb expenses constantly living on a strict budget because they feel they need more and more.

My vision for a client is to ensure that their retirement life planning is smooth and well balanced so that they can enjoy now and in the future.

A perfect blend of investments in the portfolio, consistently monitored helps my clients to save for retirement tomorrow with peace of mind today.

Extracts from the Book

In my experience many people just postpone retirement planning.

And there is no specific reason for this delay.

Thus, I came up with these solid reasons why you must step on to the journey of Retirement Planning right away:

1. You won't earn forever:

The first and obvious reason is that you won't be earning forever.

You will eventually retire.

The dangerous bit here that people tend to forget is that earnings stop coming but expenses don't.

2. You deserve peace of mind:

You must plan for your retirement phase so you can live with peace and prosperity.

Enjoy your hard-earned money.

Be able to afford in the future what you actually are working so hard for right now.

Everyone works hard today so that they relax tomorrow.

Planning for retirement is the key for ensuring that golden tomorrow.

3. Life is unpredictable:

Another major reason to start retirement planning is life is extremely unpredictable.

The Pandemic has made this an unforgettable bank.

Unexpected expenses for medical reasons, sudden lay off from jobs, salary cuts, increase in living costs all these can create a lot stress if you have not invested your money to deal with contingencies.

Retirement planning tends to keep you from falling off the boat in such unforeseen circumstances.

4. Many expenses recur from time to time:

To handle major life events that tend to be recurring.

Increasing school fees, sudden renovations to your existing home, marriage expenses for kids, repayment of consumer loans, annual vacations, up scaling your vehicles.

All these expenses are always troubling.

They occur continuously and are unavoidable.

So best way to deal with them is to make a financial plan to ensure you can provide for them all with peace of mind.

5. Spend your money and leave some for the kids:

Last but definitely not the least, to be able to spend without guilt and leave a legacy for your kids that you love so much.

Many a times I come across clients who have worked very hard all their lives yet they are constantly cutting corners.

They haven't planned in time thus they have no savings so they need to live "economically" not by choice but out of sheer lack of funds.

Instead of reaping fruits of their labor, they actually have to deprive themselves.

It's a tendency in India to not spend on yourself but leave behind enough for the children.

No matter how old they actually are.

If you want your future self to be able to spend guilt-free and also leave behind a tidy sum for your loved ones then start planning your retirement today.

It's that simple.

An expert retirement strategist who can help with the right ideas and plans you may need for a great retired life.

I handhold corporate heads who have less than 10 years left for their retirement to plan for next phase of life in a seamless manner.

I have been operating in the Financial Services industry for 20+ years with primary exposure to the Insurance and Investing space.

During this journey, I have engaged with 400 + individuals/families.



SOME OF THE NON-FINANCIAL PARAMETERS COULD INCLUDE - SUCCESSION PLANNING, ASSOCIATED LEGAL ASPECTS, FINANCIAL RECORDS MANAGEMENT, PERSONAL HEALTH MANAGEMENT, FOLLOWING PASSION AND FEW MORE.



Reduced working years and enhanced medical advancements have increased the tenure of “retired life stage”, thereby making it pertinent to ensure that adequate funds are available to continue to lead a life-after-work without any significant compromise to the desired lifestyle.

Retirement planning requires focus on multiple parameters bifurcated into financial and non-financial.

My primary focus is on financial parameters, such as risk mitigation, post tax returns & liquidity requirements.

Some of the non-financial parameters could include - succession planning, associated legal aspects, financial records management, personal health management, following passion and few more.

That is exactly why about 400+ top corporate leaders in Mumbai trust me with their retirement planning. I engage with my clients’ directly and usually on board only 25 new clients in a year to ensure I give my clients highly personalized & confidential service.

Have you thought how much money you will need for a comfortable and financially independent life post retirement?

The answers could be:

- A. Yes, I know how much I need. (Awesome - Do you regularly monitor your investments?)
- B. No, I have been thinking about it but haven’t got time for it yet. (Prioritize today)
- C. No, Why? Should I even think about it now, as I am only X years of age? (Think now)
- D. No, I don’t have enough savings left every month. (Let’s plan)

If you chose B, C, or D, that’s great.

You must be thinking how that is great when you actually have no planning for retirement.

You can start now.

It is not that late yet!

I am sure my reasons have highlighted that making a retirement strategy is the need of the hour.

Call me or contact me for a free strategy call.

I am sure it will be a great way to kick start your financial freedom.

It’s just about making the call; rest you can leave it to me.

Also, this concise guide will help you Retire Rich.

In a most simple and lucid manner, the next few pages will take you through a journey of retirement planning.

This simple to understand jargon-free guide will help you towards planning.

We succeed only as we identify in life, or in war, or in anything else, a single overriding objective, and male all considerations bend to that one objective.

7 STEPS TO RICH RETIREMENT

- 1. **Track your net worth and spending:** Continue to track your net worth to ensure being stuck on the path of financial independence.
- 2. **Cut down on unwanted expenses:** Be clear of your needs & wants.
- 3. **Save your raises:** Save and invest your money before spending it.
- 4. **Take regular inventory of your finances:** Calculate your Net-worth & your annual expenses.

5. **Create alternative income sources:** Through side-hustles or investments, enhancing your skill set, finding a passion that pays.
6. **Raise money-savvy children:** If your children grow up relatively clueless about money management, they can end up needing a lot more financial support throughout their adult lives, thus affecting your retirement corpus.

7. **Get and stay healthy:** This may seem a weird advice for retiring rich. If you're not very healthy as you approach and enter retirement, you may spend a lot of money on doctor visits, test, treatments, medications, and possibly more. It's no secret that healthcare is expensive and costs are ever increasing. Even medical advancements are happening, whereby human life is getting elongated.

Jigish Patel, Two Decades of Experience in Financial Services. Financial Coach & AMFI Registered Mutual Fund Distributor over 15 years. For two decades, Jigish have helped countless people secure their financial future and live life on their own terms.

He has completed the following certification courses on personal finance:
 Qualified Personal Finance Professional (QPFP) | Excellent Finance Preneur Programme (EFP) | Master Financial Planner (MFP) | AMFI Registered Mutual Fund Distributor

There are Four Major Financial Questions that you must be able to answer in order to know if your current or future plan will work for you.

What rate of return do you have to earn on your savings and investment rupees to be able to retire at your current standard of living and have your money last through your life expectancy?

How much do you need to save on a monthly or annual basis to be able to retire at your current standard of living and your money last your life expectancy?

Doing what you are currently doing, how long will you have to work to be able to retire and live your current lifestyle till life expectancy?

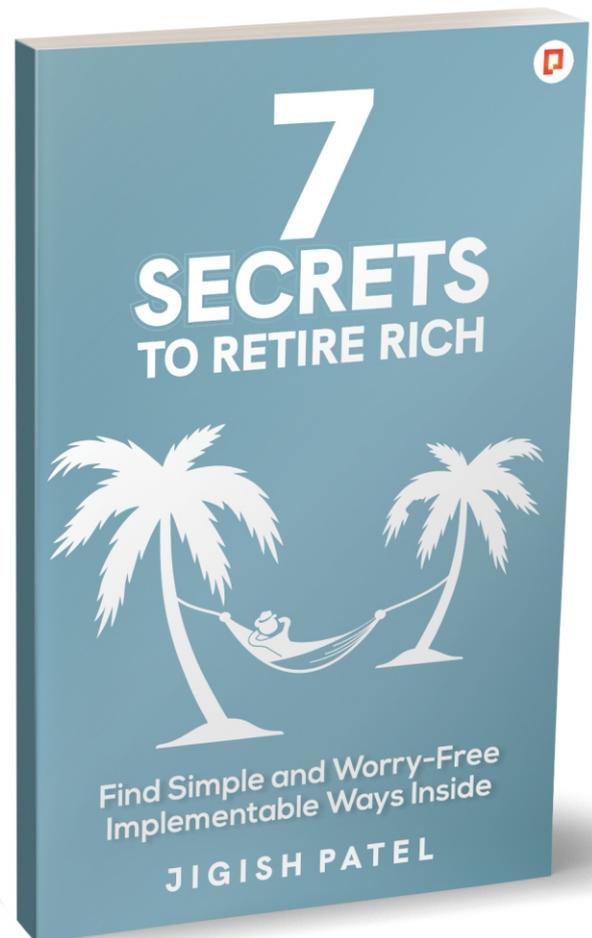
If you don't do anything different than you are doing today, how much will you have to reduce your standard of living at retirement for your money to last your life expectancy?

A solid financial plan is a powerful possession that offers a sense of peace and freedom. Our process allows us to determine appropriate strategies and help you understand how to achieve your goals and live your dreams.

He helps you to invest smart, build wealth, retire early, live free. I specialize in helping corporate executive build funds for their retirement and also help them to create regular cash-flow and stable income post retirement.

Whether you are focused on retirement income, a specific investment or financial planning goal, he begins by defining with crystal clarity the results that you are wanting to achieve. He will then assess where you are right now to define the gap between where you are and where you want to be.

He can be reached at www.linkedin.com/in/jigishpatelretirementstrategist
 Website: www.jpfinancial.in





RIDE THE WAVES OF CHANGE GRACEFULLY

Ashu Khanna
Founder & CEO, Arka Leadership

Change is inevitable and the pandemic has once again proven this reality. Like the ticker of the stock market, change is unpredictable and when it occurs at rapid frequency, it can be overwhelming and scary. The pandemic has shaken the foundation of many businesses. Lower participation due to illness, continuing work from home, and repeated lockdowns have hit the level of motivation and productivity and hit the bottom-line.

I was speaking to leadership team recently who has spent so much time redrawing their plans, that they become fearful of moving forward. They have lost nearly a year of actually doing business and are concerned of not being able to sustain the business. To thrive in such circumstances, speed is of essence. It becomes critical to assess the situation dispassionately and creatively adapt the strategy. To take decisions with imperfect information, a leader needs to be able to collaborate with experts ease, be resilient and agile.

Externally, technology has helped us stay connected, work from home and access resources and relationships globally. However, internally, we can be resilient and agile in the face of crisis, when we take leadership of our inner self. Leadership is commonly understood as the act of forming an organization, leading a team and achieving goals. This is a limited definition of leadership. True leadership starts with self leadership. Self leadership requires us to take leadership of our inner self i.e. our thoughts, emotions, energy and breath and actions. When we take leadership of ourselves, we can unleash our potential fearlessly.

How can we develop self leadership?

The play of life is designed to turn us inwards and integrate our thoughts, emotions, breath and energy such that we live our truth. We often take decisions by trusting our intuition. However, our inner clutter of fears, attachments, perceptions, assumptions, expectations, etc obstructs us from knowing and trusting our inner self. The ego keeps raising its head repeatedly to survive and prevents us from being vulnerable and collaborative.

The more we feel alone, the more we try to cling onto our sense of individuality and external crutches like titles, objects, home etc. This habit becomes a vicious loop and stress and anxiety become a part of our life. We can break out of this web of entanglements by turning our attention to our inner reservoir of possibilities.

Our inner self is infinitely resourceful and creative and inclusive. I have always been inspired by Mahatma Gandhi's commitment to the principle of Ahimsa. Silently sitting in meditation and spinning the chakra helped him disconnect from the external noise and focus internally.



WE CAN CALM OUR INNER TURBULENCE BY REGULARLY PRACTICING MEDITATION, YOGA, READING, PRANAYAMA, PRAYER OR MANTRA CHANTING, MUSIC, ART, WRITING ETC. IN THAT MOMENT OF SILENCE, WE CAN LISTEN TO OUR VOICE OF WISDOM. THE VOICE OF CONSCIOUSNESS IS THE 'KNOWN IN ALL UNKNOWN'S'.



We can calm our inner turbulence by regularly practicing meditation, yoga, reading, pranayama, prayer or mantra chanting, music, art, writing etc. In that moment of silence, we can listen to our voice of wisdom. The voice of consciousness is the 'known in all unknowns'. It navigates and empowers us to unleash our potential. By consistently living in alignment with the inner voice, we can live a life of mastery.

Identify patterns to unleash potential

Entrepreneurs take a leap of faith into the unknown when they notice a gap or opportunity in the market to offer products and services. They explore different ways of doing things, and passionately steer through the changing environment by partnering with the team. The entrepreneurial instinct to identify gaps or patterns and explore fearlessly exists in all of us.

All scientific, technological and industrial revolutions have occurred due to the ability of some entrepreneurs, scientists, explorers, to take a risk. Last many years, technology has changed our quality of engagement with the world. At a touch or swipe, we can access everything sitting at home. Now, if we look back and consider could we have imagined a world where technology would become such a powerful tool.

We need to stay open to new expressions, new perspectives, new possibilities, new people because we never know what lies ahead. I was working with a senior leader who was not feeling particularly valued in his job. He tried to change roles, however, it did not enhance his relevance significantly. When he realized that his assumptions and fears were limiting him from exploring newer avenues. Then, he decided to quit his job and pursue different options. He restructured his life by joining an organization as a consultant, investing in start-ups, taking on advisory positions as well as supporting social causes. Redesigning his life based on his passions made it more meaningful and fulfilling.

Our ability to trust our instinct or intuition can be consciously expanded and applied in all relationships of life. The more we trust and live true to our inner self, we are able to shed our attachments and expand our capacity to observe life dispassionately. For instance, we can track trends in the stock market and decide when to sell or buy stocks. Similarly, there are patterns that exist in our behaviour, relationships, beliefs and various other facets of life. An expanded observer can spot patterns with ease and take leaps of faith to harness opportunities.

Leaders who focus on deepening their relationship with the inner self, understand and accept the interconnectedness and oneness of life. They are comfortable 'not knowing' and collaborating to grow take decisions. Therefore, this approach to leadership paves the way for developing relationships of trust and inclusion of diverse perspectives. Such leaders commit to living a life of excellence and happiness.

Rise from being helpless to hopeful

We serve each other by being a catalyst to another's transformation - we can either do this consciously or unconsciously. When we live consciously in tune with the law of interconnectedness and oneness, we can influence and impact lives powerfully. By living a life of purpose, we feel empowered, satisfied and fulfilled. Our presence itself becomes a source of inspiration for the world.

As we deeply anchor internally with our inner self and shed layers of our attachments, the inner voice becomes clearer and more prominent than the noise of the ego. As an expanded observer, we can find our Ikigai, by noticing a convergence of our skills, passion and what the world

needs. The dots start connecting to forming a clearer pattern of how best we can add value and be relevant to the world.

I am a qualified chartered accountant, who decided to walk down the path to inner transformation in 2006. I found my calling as a coach. From thereon, I have been sharing my experiences and learnings as a coach, author, motivational speaker and leader. Last year, at the start of the pandemic, I noticed a convergence and decided to launch a leadership institute to promote, develop and inspire people to live with authenticity. Many opportunities, new relationships and creative expressions have blossomed into my life in just a year. I have converted the pandemic into an opportunity to serve humanity rather than feeling pulled down as a victim of circumstances.

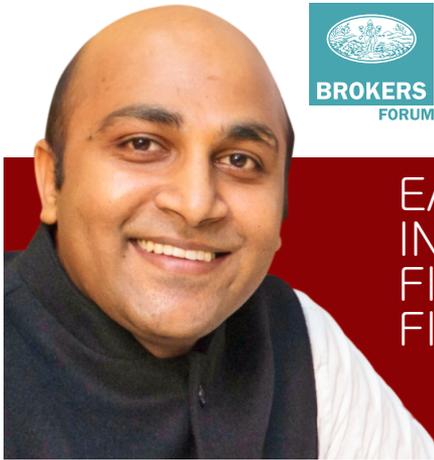
There are an abundance of possibilities and opportunities available for us to express our leadership. When we get attached our fear of unknown, we limit our ability to live a life of purpose. However, when we accept circumstances as a catalyst to awakening the leader within, we are able to confront our fears and serve the world. Above all, we can grow from being a victim of circumstances to an inspirational leader.

Last year, so many people have stepped out of their comfort zones and opened their arms to serve selflessly. It has been deeply heartening to see people unite to fight the virus and serve humanity. Doctors and frontline workers have gone beyond the call of duty, organizations have transformed digitally at faster speed than ever before, people have adapted to working from home, senior leaders have been sharing experiences and knowledge freely.

The pandemic is yet another scenario that has occurred for the transformation of humanity on a globally. Many are suffering and have lost their lives, jobs, near and dear ones... lets not waste their sacrifice. Each one of us can choose to live as a leader and serve humanity or live as a helpless hopeless victim. Lets move beyond our perceptions and turn inwards to find our true purpose, such that we can ride the waves of change gracefully.

Ashu Khanna, an authentic leadership expert and master coach, is the Founder & CEO of Arka Leadership, an institute focused on developing authentic leaders and inspiring people to live true to their inner voice and unleash their potential to the fullest. An explorer at heart, she embraces, she is highly perceptive and compassionate. She has successfully partnered with senior leaders and teams to realign their life and reimagine possibilities.

An author, she has published 4 books, sharing insights from her journey of transformation and revealing the road map to happiness and authentic leadership. A sought after Speaker, she has been ranked # 29 by Your Story amongst the 100 Emerging Voices in India. She is the Founder President of the Mumbai Chapter of International Coach Federation. She passionately volunteers at various NGO's and academic institutions to develop aspiring leaders and entrepreneurs. She is a qualified chartered accountant and has worked in India and SE Asia.



EASY ENTRY NORMS FOR FOREIGN INVESTORS IN GUJARAT INTERNATIONAL FINANCE TEC-CITY INTERNATIONAL FINANCIAL SERVICES CENTRES (GIFT IFSC)

Niraj Kumar Harodia
Director, JPNR Corporate Consultants Pvt. Ltd.

This is our thirty-seventh release in the series of awareness articles on IFSC

1.0 Synopsis of the previous release

In our last release, we had emphasized on Qualified Financial Contracts in terms of Section 4 of the Bilateral Netting of Qualified Financial Contracts Act, 2020.

2.0 Coverage in the current release

The Central Board of Direct Taxes (CBDT) vide its notification no. 42/2021 dated 4th May, 2021 has amended Rule 114AAB of Income Tax Rules, 1962 dealing with class or classes of persons to whom the provisions of Section 139A of the Income Tax Act, 1962 relating to Permanent Account Number (PAN) shall not apply. The CBDT has granted relaxation to Foreign Investors from PAN requirements for making investments in GIFT Alternate Investment Funds which is being dealt with in our current release.

3.0 Applicability

The CBDT through its notification dated 4th May, 2021 has laid down rules indicating PAN shall not be considered as a mandatory document for a non-resident foreign investor who has made transaction only in a capital asset referred to in clause (viiab) of Section 47 which are listed on a recognised stock exchange located in any IFSC and the consideration on transfer of such capital asset is paid or payable in foreign currency.

4.0 Eligibility Criteria for availing exemption

As per the provisions of Sub-Rule 2A of Rule 114AAB of The Income Tax Rules, 1962, a non-resident who is an eligible foreign investor can avail the relaxation from PAN requirements, if the following conditions are fulfilled, namely-

- i. The eligible foreign investor does not earn any income in India, other than the income from transfer of a capital asset referred to in clause (viiab) of Section 47;
- ii. The eligible investor furnishes the following details and documents to the stock broker through which transaction is made, namely-
 - a) Name, email id, contact number;
 - b) Address in the country or specified territory outside India of which he is a resident,
 - c) A declaration that he is a resident of a country or specified territory of his residence and in case no such number is available, then a unique number on the basis of which the non-resident is identified by the Government of that country or the specified territory of which he claims to be a resident.
 - d) Tax Identification Number in the country or specified territory of his residence and in case no such number is available, then a unique no. on the basis of which the non-resident is identified by the Government of that

country or the specified territory of which he claims to be a resident.

A non-resident will be considered as an eligible foreign investor if it operates in accordance with the Securities and Exchange Board of India, circular no. IMD/HO/FPIC/CIR/P/2017 dated 4th January, 2017 containing guidelines for participation/functioning of Eligible Foreign Investors (EFIs) and FPIs in International Financial Services Centre (IFSC).

The CBDT in its previous notification no. 58/2020 dated 10th August, 2020 had earlier specified that the provisions of Section 114AAB shall be applicable on non-residents of who are Category I and Category II Investors as per the (Alternative Investment Funds) Regulations, 2012 and are located in the International Financial Services Centre.

However, in the current notification, all non-resident investors who earn income from transfer of capital assets and satisfy all the above required conditions have been included.

5.0 Conclusion

- The CBDT which has earlier eased PAN requirements (previous notification in August 2020) for foreign investors of Category I and Category II of Alternate Investment Funds (AIF) has now included all other categories of foreign investors also in that list. Thus, all the categories of foreign investors operating in GIFT based exchanges will be eligible to avail the exemption from PAN requirement, subject to satisfaction of the conditions mentioned in Rule 114AAB of Income Tax Rules, 1962.
- The CBDT has granted relaxation to Foreign Investors from PAN requirements if it operates as per SEBI guidelines for Foreign Investors. This will facilitate foreign investors to operate smoothly in GIFT IFSC and encourage more foreign investment by reducing burden of compliances.

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.



The article is co-authored by **CS Jyoti Sinha Banerjee**



THE CRUX OF INDIA'S ECONOMIC RECOVERY: AN OVERVIEW

Professor Piya Mahtaney
Economist/ Author

Introductory Exposition

As the Indian economy reels from the onslaught of the pandemic galvanizing initiatives to expediently increase employment and investment becomes vital. The stimulus measures that have been provided by the government have to be supplemented by more if weaker and vulnerable segments of society are to be at least partly cushioned from the unfavourable outcomes of a disruptive phase that has prevailed for almost a year and a half. The need to boost employment entails both restoration of jobs that were lost consequent to the pandemic and the need to expand employment creation which has been an impending challenge for the Indian economy. At the time the pandemic hit India it was passing through a prolonged slowdown spanning (2017-18 to 2019-2020). The slowdown was the result of multiple factors both long term structural weakness and transient factors, evidently thus tackling a fair part of the bottlenecks that deterred a faster pace of economic progress in the Indian economy is a challenge that required addressing even if the pandemic had not occurred.

According to a report titled State of Working India, by Azim Premji University (May 2021) over the period 2011 to 2017 India's working age population increased by 115.5 million however the labour force grew by just 7.7 million, over this span unemployment increased from 2.1 per cent to 6.1 per cent. The sharp shortfall in India's employment creation is one of the fundamental reasons underlying its economic slowdown in the precedent phase. Needless to say this has been exacerbated by consequences of the pandemic, however to assume that pent up demand would serve the purpose of a long term stimulus measure is erroneous. The nub of India's economic recovery is to create a framework that will enable and foster a sustained expansion in employment creation in all sectors. In this context it is important to emphasize that industrialization cannot be the only employment provider in India and for that matter in other developing nations. The reason for this relates to the phenomenon of deindustrialization that characterizes the economies

of a wide range of less developed nations. Understanding trends underlying deindustrialization is an aspect that employment strategies in developing and poorer nations will have to consider. For an elucidation of deindustrialization and some of its implications I incorporate an excerpt from my recently published book- Structural Transformation: Understanding the New Drivers of Investment, Innovation and Institutions, pub. Macmillan Singapore, March 2021.



THE NUB OF INDIA'S ECONOMIC RECOVERY IS TO CREATE A FRAMEWORK THAT WILL ENABLE AND FOSTER A SUSTAINED EXPANSION IN EMPLOYMENT CREATION IN ALL SECTORS. IN THIS CONTEXT IT IS IMPORTANT TO EMPHASIZE THAT INDUSTRIALIZATION CANNOT BE THE ONLY EMPLOYMENT PROVIDER IN INDIA AND FOR THAT MATTER IN OTHER DEVELOPING NATIONS.



Premature deindustrialization is an integral aspect of changing growth dynamics and it is a definite pointer that moving onto a trajectory of consistent prosperity entails the expansion of all three sectors albeit not at a similarly rapid pace but at an increasing rate for a certain period of time. This does not imply that over time the contribution of the primary sector will not decline however it is unrealistic to anticipate that it would happen over the short term in a smooth transit to a consistently expanding industrial sector.

A comprehensive study about deindustrialization that was undertaken by ADB (2015) is `industrialization in

employment' is far more important than 'industrialization in output' and this is reflected by its finding that a one per cent point difference in the peak employment shares is associated with a 14.4 per cent difference in per capita GDP over the period 2005-2010. This study which pertained to the share of employment accounted for by manufacturing in 63 countries over the period 1970-2010 observed that the major difference between the early industrializers and those nations that have industrialized after the fifties is that in the former category the growth of the manufacturing sector began to decline after the share of employment provided by it was about 18 per cent. Furthermore although getting to 18 per cent employment threshold was not sufficient for achieving rich country status it was necessary for having an average per capita GDP of \$12, 000 (2005 prices) which is one of the cut off points (in terms of income) specified by the study. Over the period spanning 1970 to 2010 the income at which employment in the manufacturing sector peaked declined from \$ 30,489 (per capita) to \$ 7500. From the standpoint of development an important observation made by the study was that peak manufacturing employment shares account for about 63 per cent of the variation in incomes, not surprisingly 100 per cent of the rich nations are industrialized in terms of employment and only 38 percent of those nations that are industrialized in output are rich. Thus an important empirical finding of the study is that industrialization predicts future prosperity in so far as it generates manufacturing jobs, and the employment threshold is a much better than the output threshold at differentiating rich nations from those that are not.

Furthermore, the study indicates that countries which are initially poor and have low growth rates are likely to deindustrialize at levels of per capita income and employment that are much lower than the early industrializers who had initial conditions that were more conducive to achieving higher levels of employment in the manufacturing sector. The study infers that it is unlikely that the current set of late industrializer nations will meet the 18 per cent employment threshold and it explains that "in our view it is this inability to meet a historically derived manufacturing jobs threshold rather than simply the decline in manufacturing employment that gives early deindustrialization its premature character. We interpret these findings as an argument for broad based development strategies."

According to a report by ADB (2013) in Asia the sector is home to over 700 million workers and this

constitutes about 40 per cent of all employment in the region and this despite the expansion of the industrial sector. Estimates by the rural development report (2016) cite that globally the primary sector and the rural economy account for 30 per cent of jobs and therefore the reducing importance of the primary sector should not be interpreted as meaning that its significance in developing nations particularly as an employment provider will recede. It will not happen, and the report explains, "We expect that output shares in many Asian countries will fall below 5% during the next 30 years. This level is similar to that in the developed countries today. However, employment shares will remain significantly higher due to insufficient employment outside agriculture." Added to this the report also expects that over the next three decades (beginning from 2010) the only country among developing Asian nations to achieve 'industrialized agriculture status' by 2040 will be Malaysia. India and China will witness a reduction in the share of employment accounted for by the agriculture sector, despite which agriculture will account for one third of employment in India and one fifth in China by 2040. Agriculture will also be the largest provider of employment in Laos, Cambodia, Pakistan, Bangladesh and Vietnam where the employment shares of agriculture is projected to be about one third in 2040. Therefore, going forward countries which are labour abundant and have a large proportion of their population employed in agriculture cannot depend solely on the expansion of the manufacturing sector to absorb the surplus labour from the primary sector.

Thus, the empirics of industrial led transformation in developed nations about 6 decades ago was different from what prevails in contemporary developing nations, the exception to this being East Asia. According to the FAO report (2017) there are 475 million farms globally that are smaller than 2 hectares and almost 2 billion people in Asia and Sub Saharan Africa and are dependent on these farm holding for their livelihoods These farmers produce about 80 per cent of the food that is consumed and yet this sector does not have enough or any access to credit, education, health care, infrastructural and other vital facilities required to increase their productivity. Despite this capital accumulation in the primary sector has either decreased or not increased sufficiently and this has constrained the reallocation of labour to more productive sectors. This is one of the fundamental causes underlying underdevelopment across so many regions of the world.

Farm consolidation has not occurred by the extent required consequent to which it is the expansion of the non farming sector in most developing nations which has become an important source of employment generation. Given the increasing importance of non farming segments in the rural economy and the informal economy in urban areas across a number of regions we need to consider the potential and possibility of both these segments as a source of productive employment besides the organized industrial sector. Evidently this is not an ideal scenario given that the informal and non farming segment has lower levels of productivity than organized industry. However a reallocation of workers from subsistence agriculture to the non farming sector would certainly lead to higher levels of economic progress than being confronted with a situation where a fair proportion of workers from the primary sector eke out a meagre livelihood by toiling in the unorganized sector as is the case with most developing nations. .



PREMATURE DEINDUSTRIALIZATION IS AN INTEGRAL ASPECT OF CHANGING GROWTH DYNAMICS AND IT IS A DEFINITE POINTER THAT MOVING ONTO A TRAJECTORY OF CONSISTENT PROSPERITY ENTAILS THE EXPANSION OF ALL THREE SECTORS ALBEIT NOT AT A SIMILARLY RAPID PACE BUT AT AN INCREASING RATE FOR A CERTAIN PERIOD OF TIME.



The industrial sector in most developing countries has provided employment to only to a fraction of those who migrated from the rural regions in search of jobs that seemed a possibility given rapid industrialization. However those left behind in the race for employment with industry were the entrants to informal economy. A fairly large constituent of this comprises or the unorganized segment of the industrial sector where workers toil for much lower wages, amidst hazardous working conditions in the absence of any security or legal protection. Employment in this segment was provided by small- scale enterprises that were ancillary

production units of large and medium sized manufacturing companies.

Similarly at the higher end of the tertiary sector are highly skilled professionals and doyens of technical expertise. At its lower end is an entire gamut of service providers many of whom are self employed these include hawkers, salespersons, delivery persons, caterers, cleaner, domestic workers..... which constitutes the unorganized segment of the services sector. Observably an expansion of the industrial and services sector will create employment opportunities, however although the unorganized sector may shrink with the expansion of labour intensive manufacturing and services it would be unrealistic to expect this would provide employment to the entire strata of labour in the unorganized sector.

In most developing countries the informal sector is almost bereft of the opportunity to increase levels of productivity and improve standards of work; however, this would not be the case if there is a concerted effort towards the implementation of measures that will mainstream the informal economy or the unorganized segment. By this is meant the implementation of measures that will expand social infrastructure provision, skill upgradation and the creation of a social security net all of which would enable individuals to carve out more remunerative avenues of livelihood for themselves even if they are unable to find employment in the organized industry.

Moving onto higher levels of economic progress entails tapping more sources of growth across sectors and this requires evolution of new core competences. Take the industrial sector for instance; there still exists considerable potential in a number of segments that remain untapped. In this context Dr Ganesh Natarajan who is Chairman of 5F World and Lighthouse Communities, says, "In some industry segments like rare earths and telecom, we must at least move towards "atmanirbhar" or self - reliance.... And in places where we have missed the bus in the past, electronic hardware and textiles, we can and must move towards global dominance."

Empirical evidence in a number of developing countries also demonstrates that taking the focus away from the primary sector impedes poverty reduction initiatives and limits growth. The centrality of industrialization in structural transformation and the increasing levels of land and labour productivity in the primary sector are closely interlinked. In this context a study undertaken

by the world bank (1982) about the link that between growth and GDP observes, "The parallels between and GDP growth suggest that factors which affect performance may be linked to economy-wide social and economic policies Expanding production through technological change and trade creates important demands for the outputs of other sectors, notably fertilizer, transportation, commercial services, and construction. At the same time, households are often the basic market for a wide range of consumer goods that loom large in the early stages of industrial development-textiles and clothing, processed foods, kerosene and vegetable oils, aluminium, holloware, radios, bicycles, and construction materials for home improvements..."



IMPROVING SMALL FARMER PRODUCTIVITY IS AN IMPERATIVE THAT IS CRITICAL TO ECONOMIC TRANSFORMATION IN INDIA AND THE SCOPE FOR DOING SO IS CONSIDERABLE IF NOT TREMENDOUS.



Despite cognizance of the critical role that the primary sector had in steering the initial phases of development what was needed to enable agriculture to develop beyond subsistence farming is conspicuously inadequate in India and other less developed nations. Improving small farmer productivity is an imperative that is critical to economic transformation in India and

the scope for doing so is considerable if not tremendous. This fact is underscored by the availability of a range of sustainable farming techniques that can be used extensively in India.

Conclusion

It is evident that a faster pace of structural change in India compels a better integration of inclusive rural transformation with the employment policies in the national context. The discussion about employment and the Indian economy continues in the next article for Econ Buzz.

To know more about my book please click on

https://www.amazon.in/Structural-Transformation-Understanding-Investment-Institutions/dp/9813346612/ref=sr_1_1?dchild=1&qid=1622882391&refinements=p_27%3APiya+Mahtaney&

Piya Mahtaney completed her second Master's in Development Economics from Leicester University in England I embarked on a career in journalism with the Times of India. I was assistant editor in Metropolis on Saturday, subsequent to which I 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 I have authored are as follows:

- Structural Transformation: Understanding the New Drivers of Investment, Innovation and Institutions, Palgrave Macmillan, Singapore, April 2021
- Globalization and Sustainable Economic Development, Palgrave Macmillan (U.S), August 1st 2013
- 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.
- India China and Globalization, (paperback, Palgrave Macmillan, England December 2014)

Besides authorship I am a visiting lecturer with St Xavier's Institute of Communications and St Xavier's College, Department of Economics. I am also a council member of the Forum of Free Enterprise ad I write a monthly column for Forum Views which is a magazine brought out by the BSE.

My interest is classical Western Ballet in which I have received training for many years since I was a child.



DEEMED CONVEYANCE

Neha Ahuja, LLM
Advocate

The government, in 2012, introduced deemed conveyance where housing societies, when the builder fails to execute the conveyance deed, could approach the deputy registrar for one. It also amended the law that allowed societies going in for redevelopment to gain from additional floor space index (FSI) and transfer of development rights (TDR). In 2018, that government used a government resolution (GR) to list the documents required for deemed conveyance.



A DEEMED CONVEYANCE IS A DOCUMENT EXECUTED TO TRANSFER THE TITLE OF LAND AND BUILDING IN NAME OF THE HOUSING SOCIETIES. CONVEYANCE IS A PROCESS IN WHICH THE OWNERSHIP OF THE LAND ON WHICH A PARTICULAR BUILDING COMPLEX IS BUILT GETS TRANSFERRED TO THE HOUSING SOCIETIES.



The Maharashtra government has relaxed the terms for the deemed conveyance (DC)-ownership right of plot certificate from the builder, by bringing down the number of documents required from 12 to 8 and stipulating that DC will be given even if the society does not have an Occupation Certificate (OC) or the Building Completion Certificate (CC).

A Deemed conveyance is a document executed to transfer the title of land and building in name of the housing societies. Conveyance is a process in which the ownership of the land on which a particular building complex is built gets transferred to the housing societies.

It is mandatory for land-owners or developers to convey the title of the plot within four months of the formation of the housing society. In many cases, the builders fail to convey the title of properties to the housing societies, in the hope of availing more floor space index (FSI) that may become available in future, or to avail the benefits accrued to them in case the property is redeveloped.

If the builder fails to convey the property, the Maharashtra Ownership Flats Act (MOFA) allows societies to apply for DC. However, having OC was mandatory and was insisted upon by the officials of the cooperative registrar’s office. OC is given only when the building is complete in all respects and has complied with the mandatory norms laid down by the government authorities to make it ready for occupation. Since most of the builders abandon the projects before complying with the norms and conditions, OCs are not given to the societies.

There are a sizeable number of housing societies in Mumbai that are struggling to get the DC. In absence of DC, redevelopment of some of the societies has been delayed. Some of the developers used to sell the flats till they held the ownership right of the layout and were misusing this right, causing impediment in the way of redevelopment.

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.
- Consulting various law firms in India.
- 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) and LLM.



TOUCHING PEOPLE'S LIVES: THE JOY AND CHALLENGE OF BEING A HUMANITARIAN

Tehmtan Dumasia

Favorite quote: As said by Victor Hugo "Initiative is doing the right thing without being told." This is one of my favourite quotes. It is an ideal that I have lived by in every aspect of life, be it work, family or social service.

Journey: As a social worker in the field of humanitarian assistance, I would say that it is not just a profession but a way of life that demands dedication. Having a career in humanitarian support was not a choice for me, I just found myself in it. Coming from a small vicinity in the lanes of Khetwadi, Mumbai, I had a hugely different understanding of life. My family struggled in hardships and the only way to come out of it was to work hard and rise.

Over the last 30 years of my life, despite having a busy business schedule, I have still found time to help people socially and standing up for what is right against all odds - I believe in delivering results as well as accountability. By taking small steps, I can see change for good in society. It is a satisfying feeling, binding you to life and allowing you to continue working with passion and motivation. The greatest challenge is to witness suffering and hearing stories that break your heart.

In my journey with the support of my wife, I have achieved numerous goals successfully. I have been recognised as one of the Celebrity Parsi Chef's, having catered to Bollywood Stars, organising Parsi Food Festivals in 5 Star Hotels at pan India for hotel chains like the Oberoi group, Sofitel, Novotel to name a few. I always believe that "No Risk, No Gain" whether in business or while serving my community or humanity at large.

Future plans: I have several plans for our Parsi community, which are as follows:

- always be approachable to facilitate the community members
- priority assistance and efficient support to senior citizens
- to assist economically backward Parsis financially or medically whenever required
- to digitize all records related to medical, housing, finance and other related documents with a unique card/ number for each Parsi citizen with an aim to maintain census

- single matrimonial website for young couples to encourage early marriage and start a family
- to take a concerned view about our religious principles
- to encourage the youngsters of our community to take a lead in education, sports and help them with professional training and sponsorships
- to set up a creche in all Baugs with the support of senior citizens, which shall enable young couples to plan a family and empower them to leave their children under a watchful eye and comfortably go to work
- development of an App that will be used for all community related activities, proposed for: Housing, community events, community updates through social media platform, open forums for the community engagement with the trustees and other related engagements



BY TAKING SMALL STEPS, I CAN SEE CHANGE FOR GOOD IN SOCIETY. IT IS A SATISFYING FEELING, BINDING YOU TO LIFE AND ALLOWING YOU TO CONTINUE WORKING WITH PASSION AND MOTIVATION. THE GREATEST CHALLENGE IS TO WITNESS SUFFERING AND HEARING STORIES THAT BREAK YOUR HEART.



Humanitarian assistance must be holistic; without the support of people in the community we cannot create a significant impact in the society. It is our responsibility to alleviate and facilitate people's concern - whether professional or as a volunteer, humanitarian workers are touching people's lives, empowering and changing them.

Views, thoughts and opinions expressed are personal in nature.



COMPLIANCE REQUIREMENT FOR THE MONTH OF JULY – 2021

Compiled by CA Kamlesh P. Mehta
(B.Com, FCA, DISA)
M/s. Kamlesh P. Mehta Associates

Authorities	Particulars	Due Date
NSE/ BSE/ CDSL/ NSDL	Mandatory updation of certain attribute of KYC of clients	01.07.2021
BSE	Uploading of client funding reporting for the month of June, 2021	01.07.2021 to 07.07.2021
All Exchanges	Contingency Drill / Mock Trading Session (Subject to circular to be issued by respective exchanges)	03.07.2021
PMS	PMS- Certification for Activity Report- through SEBI portal for the month of June, 2021	Within 7 working days of next month
NSE	Uploading of client funding reporting for the month of June, 2021	07.07.2021
Income Tax	TDS Payment for the Month of June, 2021	07.07.2021
Depository	Investor Grievances (Report) • CDSL & • NSDL for the month of June, 2021	10.07.2021
MSE	Uploading of margin funding file for the month of June, 2021	15.07.2021
NSE/ BSE/ MCX/ NCDEX/ NSDL/ CDSL	Reporting of Cyber Security incidents for the quarter April, 2021 to June, 2021	15.07.2021
NSE/ BSE/ MSE/ MCX/ NCDEX	Statements of Funds & Securities to clients for the quarter ended 30/06/2021 (Non running accounts)	31.07.2021
NSE/ BSE/ MSE/ MCX/ NCDEX	Reporting for Artificial Intelligence (AI) and Machine Learning (ML) applications and systems offered and used by market intermediaries for the quarter ended March, 2021 & June, 2021	31.07.2021
NSE/ BSE	Submission of Margin Trading Compliance Certificate & Networth certificate for the half year ended March 31, 2021 (For those who have availed Margin Trading Facility)	31.07.2021
BSE/ NSE/ MSE/ MCX/ NCDEX	Submission of half yearly Net worth Certificate as at 31.03.2021	31.07.2021
BSE/ NSE/ MSE/ MCX/ NCDEX	Submission of Risk Based Supervision for the period ended March, 2021	31.07.2021
CDSL/ NSDL	Submission of Risk Assessment Template for the period ended March, 2021	31.07.2021
CDSL/ NSDL	Submission of half yearly Internal audit report	31.07.2021

NSE/ BSE/ MSEI	Submission of half yearly Internal audit report	31.07.2021
MCX/ NCDEX	Submission of half yearly Internal audit report	31.07.2021
NSE/ BSE / MSEI	Submission of System Audit Report for the period ended 31st March 2021 and for those who have availed ALGO facility for the half year ended 31st March 2021 (ALGO and Non ALGO)	31.07.2021
MCX/ NCDEX	Submission of half yearly ALGO & Non ALGO system audit report as at 31/03/2021	31.07.2021
NSE/ BSE/ MCX/ NCDEX/ CDSL	Submission of Cyber Security Audit Report	31.07.2021
NSDL	Submission of System Audit (Cyber audit) on Annual Basis.	31.07.2021
NSE/ BSE/ MSEI/ MCX/ NCDEX	Action taken/follow-on audit report for SystemAudit /Cyber Audit Report for 2019-20	31.07.2021
BSE/ NSE	Submission of Insurance payment Receipt for renewal	31.07.2021
NSE/ BSE	Reporting of client level cash and Cash Equivalent Balances by trading members to the clearing members on weekly basis for each week within next four trading days of subsequent week	Weekly basis
NSE	Submission of Bank statement to exchange on weekly basis (each week thereafter within next four trading days of subsequent week)	Weekly basis
NSE/ BSE/ MCX/ NCDEX	Requirement of sending a complete 'Statement of Accounts' for funds, securities and commodities in respect of each of its clients on weekly basis.	Weekly basis
NSE/ BSE/ MCX/ NCDEX	Reporting of client level Cash and Cash Equivalent Balances and Bank account balances	Weekly basis
All Equity & Commodity Exchanges	Uploading of Clients' Funds, collateral and other details lying with the member broker (Enhanced Supervision)	Weekly basis
All Exchanges	Uploading of day-wise Holding statement in the specified standard format to exchange within 4 trading days of subsequent week	Weekly basis
BSE	No. of STR filed with FIU-IND for the month of June 2021 (Including NIL STR)	Before 31.07.2021

***Note:** The Compliance Calendar is indicative in nature. For realtime updates, kindly refer respective Market Infrastructure Institution's latest circulars.

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. For further assistance, kindly contact at: kamleshmehtaca@gmail.com

CIRCULAR ON COMPENSATION OF KEY EMPLOYEES OF AMCS

In an attempt to protect the interests of investors, SEBI has provided for the alignment of interest of key employees of the Asset Management Companies (“AMCs”) with the unit holders of the mutual fund schemes by mandating a unique scheme of compensation for the key employees.

Vide circular dated April 28, 2021, SEBI has mandated that a minimum of 20% of the salary, perks, bonuses, non-cash compensation (gross annual CTC) net of income tax and other statutory contributions of the key employees of the AMCs shall be paid in the form of units of the mutual fund schemes in which they have an oversight or a role or is managed by them. The units given is supposed to be proportional to the AUM of the schemes managed by key employees, paid proportionately over 12 months on the date of payment, and will be locked in for 3 years or the tenure of the scheme (whichever is lesser). No redemption of such units shall be permitted to key employees during the lock-in period, except in cases of exigencies as clarified in the policies of the respective AMCs or on retirement on attaining the superannuation age. The circular defines ‘key employees’ as:

- i. CEO, Chief Investment Officer, Chief Risk Officer, Chief Information Security Officer,

Chief Operation Officer, Fund Managers, Compliance Officer, Sales Head, Investor Relation Officer(s), heads of other departments, Dealers of the AMC

- ii. Direct reportees to the CEO, excluding Personal Assistant;
- iii. Fund Management Team and Research team
- iv. Other employees as identified & included by AMCs and Trustees.

Key employees having an oversight only over ETFs, Index Funds, Overnight Funds and close ended schemes are excluded from the purview of this circular. Furthermore, for dedicated fund managers, managing only a single scheme or single category of schemes, there is an option of getting compensated from the units of those schemes whose risk value is equivalent to or higher than the scheme managed by the fund manager. But this shall only be 50% of the decided compensation under this circular as the remaining 50% will still be from the units of the scheme or category managed by them. The aggregate compensation paid in units to key employees from each scheme shall be disclosed on the website of the AMC.

The circular, scheduled to take effect from July

01, 2021, comes after the Franklin Templeton Mutual Fund controversy. The circular strengthens the commitment of key employees of AMCs towards investors by providing for clawback provisions in cases of violation of code of conduct, fraud, or gross negligence, and by ensuring that the key employees have some personal stake in the performance of the mutual fund managed by them.

While the circular may have been issued in the interest of investors, the scope of the circular is excessive. The definition of key employees not only includes the fund manager(s), but also a host of other employees who may not even be involved in the investment decision making concerning the scheme(s). Further, by not creating a threshold salary limit over which the circular will be applicable, SEBI is forcing low-income AMC employees to mandatorily save 20% of their income in specific mutual fund schemes. It is also likely that certain key employees have a role in mutual fund schemes that have a risk profile unsuitable for them. Quite bizarrely, if the key employees do not want to invest in such unsuitable schemes, then the AMC should ensure that only those people whose risk profile matches the scheme should be staffed as key employees.

AMENDMENTS TO SEBI (ALTERNATE INVESTMENT FUNDS) REGULATIONS, 2012

On May 5, 2021, the Securities and Exchange Board of India (“SEBI”) brought in a slew of changes to the SEBI (Alternate Investment Funds) Regulations, 2012 (“AIF Regulations”) aimed at improving clarity and accountability with respect to alternate investment funds (“AIFs”) and their functioning via the SEBI (Alternate Investment Funds)(Second Amendment) Regulations, 2021 (“Amendment”).

Broadly, the Amendment brings in changes that (i) seek to clarify or expand certain definitions of the AIF Regulations, (ii) introduce the concept of simultaneous investments by AIFs in other AIFs as well as investee companies, and (iii) introduce a code of conduct for AIFs and relevant stakeholders to improve accountability.

The first key change introduced through the Amendment is providing clarity on the definition of a ‘start-up’. SEBI has now aligned the definition of start-up under the AIF Regulations with that followed by the Department for Promotion of Industry and Internal Trade (“DPIIT”). As per the DPIIT’s definition, an entity would be considered a start-up (i) upto 10 years of its incorporation/ registration; (ii) if turnover of the entity for any of the financial years since incorporation/ registration has not exceeded one hundred crore rupees; and (iii) if the entity is working towards innovation, development or improvement of products or processes or services, or if it is a

scalable business model with a high potential of employment generation or wealth creation. Further, the definition of a venture capital undertaking (“VCU”) has been simplified and broadened by removing the earlier list of restricted activities from the definition of a VCU under the AIF regulations. The effect of this change is that Category I AIFs, such as VCUs, can now invest in NBFCs unlike before. The Amendment also substitutes ‘venture capital undertakings’ under sub-regulation (1) of regulation 19F of the AIF Regulations with the word ‘start-ups’, implying that angel funds can now invest in start-ups rather than VCUs, thus widening the investment scope of angel funds in general.

The second key change introduced by the Amendment is the introduction of the concept of simultaneous investment in securities of investee companies and units of other AIFs. As per the structure, AIFs can now either directly invest in the securities of the investee companies, or can choose to invest in units of an AIF that invests in the securities of the investee companies. Prior to the Amendment, a Category I AIF Fund of Funds (“FoF”) was restricted to invest in units of only Category I AIFs. Further, Category II and Category III FoFs were also restricted to invest in units of Category I or Category II AIFs. Further, AIF FoFs were not permitted to invest in units of other AIF FoFs. The Amendment has revised the provisions of Regulation 15(1), Regulation 16(1), Regulation

17, and Regulation 18 to accommodate investments in units of other AIFs, while maintaining the ceiling of 25 percent investment in any one investee company in case of Category I and Category II AIFs and a ceiling of 10 percent for Category III AIFs. It has further been clarified that AIFs investing in other AIFs are not permitted to offer their units for investments to other AIFs.

The third key change introduced by SEBI was to revamp the general obligations of the key management personnel of the AIF, trustee, the trustee company, directors of the trustee company, designated partners or directors of the AIF. The Amendment introduced Schedule IV to the AIF Regulations providing codes of conduct for the AIFs, the key management personnel of the AIF, trustee, trustee company and its directors, managers, key management personnel of the managers, and the members of the investment committee to abide by in order to improve transparency and accountability. As per the Amendment, policies and procedures of AIFs need to be jointly approved by the AIF trustee and the AIF manager, who shall be responsible to ensure that the working of the AIF is in tandem with the AIF regulations and other applicable laws. The members of the investment committee are also required to ensure their decisions are in compliance with relevant laws, thereby shedding some clarity on the responsibilities of such members.

The Amendment has introduced much required changes providing an impetus to the AIF industry. By harmonising the definition of start-ups with the definition prescribed by the DPIIT, SEBI has eased the procedure for investments by AIFs into start-ups and has simplified the regulatory compliance requirements that the investor as well as investee

entities would be required to follow. Further, by allowing AIFs to invest in the units of AIFs as well as the securities of investee companies, the Amendment has introduced necessary flexibility in the investment structure of AIFs, which has been long requested by global investors. Finally, by revising the general obligations and managerial

responsibilities of the AIF, its trustee, and trustee companies, and their key management personnel and designated partners, the Amendment has introduced measures that will further strengthen the corporate governance mechanism of such entities.

SEBI'S CONSULTATION PAPER ON SEGREGATION AND MONITORING OF COLLATERAL AT CLIENT LEVEL

On May 10, 2021, SEBI issued a Consultation Paper seeking public comments on a proposed framework for the segregation and monitoring of collateral at client level ("**the Consultation Paper**"). The main objective of the proposed framework is to enable identification and protection of client collateral from misuse/mismanagement by the trading member ("**TM**") or clearing member ("**CM**").

Under the extant framework, the clearing corporation ("**CC**") of a stock exchange ("**Exchange**") identifies all the margin collected by the TM/CM and reported to the Exchange, as that of the TM/CM. The Consultation Paper now proposes to segregate the funds collected by TMs and identify them in the name of each client. It must be noted that the Consultation Paper does not propose changes to the collateral management framework with regard to pledged and re-pledged securities under the depository system, as the CC has visibility of the client to whom such securities belong to. Some of the key proposals from the Consultation Paper are mentioned below:

Reporting mechanism by TMs and Cms

Under the proposed framework, the CC will be required to specify a reporting mechanism for both cash and non-cash collaterals (not securities). The reporting is proposed to take place in two phases to ensure visibility of client's collateral: first, the TM will report to the CM the information on the collateral received, retained and placed by it with the CM; and second, the CM will report to the CC and the Exchange, the collateral it retains and that which it places with the CC as well as the information which TM has reported to it. Additionally, it is proposed that this information will be provided in a disaggregated manner i.e., in an asset wise break up, and will be reported on a daily basis.

Collateral Deposit and Allocation

For collateral other than securities, it is proposed that the CM shall allocate these collaterals upfront into its proprietary account and/or proprietary account of the TM clearing through them, and/or account of any of the clients clearing either through the CM, or through the TM who in turn is clearing through such CM. It is proposed that the CC must, by the use of such collateral allocation information, ensure that the

collateral allocated to a client is used towards the margin obligation of that client only.

It is proposed that no collateral shall be accepted by the CM or the CC if the TM or the CM, as the case may be, fails to provide a break-up of such collateral into its proprietary account and the uniquely identified client account.

To eliminate chances of any misappropriation of client's collateral, the proposal accentuates on the total value of client's collateral to ensure that the break-ups and further allocations do not exceed this value. The following must be kept in mind for the allocations to be lawful:

- The CM shall ensure that the sum of break-up of collateral provided by the TM is equal to the total value of the collateral provided by the TM and that the allocation reported to the CC does not exceed the allocation of collateral reported by the TM for that entity.
- When the TM/CM allocate their proprietary collateral as client collateral, the value of such proprietary allocation must not exceed the value of client collateral received by them (excluding demat securities).
- Allocation of collateral to individual client accounts must not exceed the collateral individually provided by them.
- On exceptional basis, there shall be a deemed allocation of TM/CM's proprietary collateral towards client margins in case the client margin exceeds the collateral allocated to the client plus the securities collateral re-pledged to CC.

Collateral Valuation

CMs are required to maintain at least 50% of the total collateral in the form of cash or cash equivalents. The Consultation Paper proposes that the 50% cash equivalent collateral rule shall not be applied at the client level. While monitoring the 50% requirement at the CM level, the excess cash-equivalent collateral of a client shall not be considered for other client or for the proprietary account of TM/CM. However, excess cash-equivalent collateral of proprietary account of TM/CM can be considered for offsetting excess non-cash collaterals of their clients.

Blocking of Margins

Under the extant framework, the procedure for blocking of margins only specifies the order of

blocking of collateral available with the CC. It is proposed that in case of a trade from a client account, the margin shall first be blocked from the value of client collateral. If the client collateral is not sufficient, the residual margin shall be blocked from the TM proprietary collateral first and then from the CM proprietary collateral. Similarly, for a trade from the TM's proprietary account, the margin shall be blocked from proprietary collateral of TM first followed by the CM proprietary collateral; whereas for trades of CM's proprietary account, the margin shall be blocked from the proprietary collateral of the CM only.

Default and Default Management Process

The Consultation Paper proposes a four-stage default management process in case of default of a CM. At the first stage, the CC shall finish the pay-outs to non-defaulting members. At the second stage, the CC shall identify and offer non-defaulting members, the choice of porting their positions and collateral to another CM or immediate return of such collateral. At the third stage, the CC shall close out all open positions of the defaulting CM including the positions of the entities cleared by it by first utilizing their respective collaterals for meeting any losses in close-out of respective positions. Here, after provisional appropriation of collateral by adjusting any shortfall in collateral of any entity under the CM, the remaining obligations will be attributed pro-rata among TM/ clients having funds payable.

At the fourth and final stage, the Member and Core Settlement Guarantee Fund Committee ("**MCSGFC**") of the Exchange would identify the actual defaulting clients/ constituents and attribute the actual shortages replacing the pro-rata attribution conducted at the third stage. The Exchange or the CC shall initiate appropriate proceedings for liquidation of defaulting TM/CM if any client collateral is retained by them without it being allocated to the client's account. Similar default management process shall be followed by the CM in case of default by TM to CM.

The proposals discussed above not only strengthen reporting requirements between TM, CM and CC, but also improve transparency at every level, which in turn, will bring efficiency to the risk and default management processes.

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BHAGAVAD GITA – GUIDE FOR THE YOUNG

Jaya Row
Founder, Vedanta Vision &
Managing Trustee, Vedanta Trust

While the rest of the world was still in the dark ages the wise Indian had discovered the formula for Excellence. The focus shifted from conquering the world to gaining control over the mind. The era of meritocracy came into being. Develop merit, the world will amply reward you. An excellent musician, outstanding sportsperson or brilliant scientist needs only to focus on mastering his skill. Wealth, fame and accolades will follow. The Age of Knowledge Capital dawned in India centuries ago!

Excellence was not the exclusive privilege of the chosen few. Everyone was included - from the highest, most gifted, to the lowest, least endowed. There were no qualifying exams, no grades to be sought, and no heartbreak over not having obtained the minimum marks. The pathway to excellence was simple.

The Bhagavad Gita, written 5000 years ago, addresses the Arjunas of today - dynamic, ambitious, young adults seeking excellence in their respective fields. The young today are talented, knowledgeable and have the expertise to achieve success. But many seem to fail due to last-minute nerves. A brilliant student who is well-prepared for the exams is unable to tap into his knowledge and performs badly. An outstanding cricketer fails due because of his obsession for the century. A job aspirant fumbles at the interview as he is anxious to land the job.

In the sixth chapter of the Bhagavad Gita Verse 1, Krsna addresses this very problem. He says - One who does what one ought to do without depending on the fruit of action is a sannyasi, a yogi, not one without agni (ideal) or action.

Action is under your control. Fruit is dependent on many factors beyond your influence. Dependence on the fruit makes you a slave to the world. The First Class in the exam or the Olympic Gold is not under your control. But nobody can take away your knowledge or the fact that you are an outstanding athlete. Find fulfilment in that.

While acting, give of yourself to the action. Focus on doing it to the best of your ability. Enjoy the action. Obtain merit. The fruit will come to you. Success will be yours.



EXCELLENCE WAS NOT THE EXCLUSIVE PRIVILEGE OF THE CHOSEN FEW. EVERYONE WAS INCLUDED - FROM THE HIGHEST, MOST GIFTED, TO THE LOWEST, LEAST ENDOWED. THERE WERE NO QUALIFYING EXAMS, NO GRADES TO BE SOUGHT, AND NO HEARTBREAK OVER NOT HAVING OBTAINED THE MINIMUM MARKS. THE PATHWAY TO EXCELLENCE WAS SIMPLE.



How can you act without a fruit in mind? If there is no goal action comes to a halt. So you must fix an ideal, one that is beyond your selfish, self-centred interests. The higher the ideal, the greater is the energy and enthusiasm to work. But if you think of the goal while acting the mind shifts from the present action to the fruit which belongs to the future. You no longer concentrate on the present. The action becomes flawed, resulting in failure. And you will be stressed out, agitated, disturbed. When a student is anxious to get good marks the mind is not focussed on the question paper. He commits a series of mistakes and underperforms. A batsman in his nineties thinks of the hundred, not of the next ball, and gets out!

Fix a higher goal. Work out a plan of action. While acting focus entirely on it. Do not allow the thought of fruit to interfere with the action. The action will be perfect. Success will be yours! And your mind will be at peace. Such a person is defined as a sannyasi- a person of renunciation. Not a celibate priest or one who has retired to the Himalayas!



ENERGY IS WASTED IN THREE WAYS - WORRY OVER THE PAST, ANXIETY ABOUT THE FUTURE AND FRENZY IN THE PRESENT. THE INTELLECT MUST FOCUS THE MIND ON THE PRESENT ACTION AND NOT ALLOW THE MIND TO MEANDER INTO WASTEFUL AVENUES OF THE PAST AND FUTURE.



Then Krsna gives the disqualifications. A sannyasiis not one without a higher ideal. A selfish person with a myopic view of life does not achieve excellence nor is he happy. To excel and be happy one must necessarily have a higher mission in life. And act dynamically. An inactive, lethargic person will also not achieve success or happiness.

Centuries before Six Sigma, Vedanta prescribed a six-point path to success in the Bhagavad Gita, Chapter 3, Verse 30. It consists of two aspects - creating energy and plugging the dissipation of energy.

Create Energy

Focus - The intellect, the discriminating faculty in you, directs all activities to the achievement of the goal. All energy - light, wind or water - gains power when it is unidirectional. So also with thoughts. When thoughts are focussed on one goal they gain power. The same thoughts meandering in different directions lose power.

Surrender - Intellectual focus must be backed by emotional support, loyalty, devotion. Then the power of the goal vests in you. Mahatma Gandhi had surrendered to the nation. The power of 300 million Indians was with him. The convergence of mind and intellect brings about creativity.

Action - The body must act dedicatedly towards the ideal. The more you act the more energy you create. An athlete has unbelievable energy. A couch potato lacks energy. So include a daily slot for exercise in your life and see the difference.

Plug Dissipation

Energy is wasted in three ways - worry over the past, anxiety about the future and frenzy in the present. The intellect must focus the mind on the present action and not allow the mind to meander into wasteful avenues of the past and future. While writing the exam a student's mind shifts to the high scores he is seeking. Thus even if he is well prepared for the exam he commits a series of blunders. Thus he underachieves and undermines his potential.

One who creates energy and does not dissipate it becomes a tremendous success.

Foster powerful positive thoughts every Saturday at the Bhagavad Gita webinars with Jaya Row on Zoom/YouTube.
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Jaya Row, Articulate, effective and engaging, Mrs. Jaya Row brings alive the wisdom of the Vedas in a modern context. Combining her experience in corporate life with 40 years of study and research of Vedanta she provides useful insights to life.

Charming oration which transforms complex Vedic principles into brilliant management mantras is the hallmark of her discourses. Her clarity, wit and zeal have captivated audiences far and wide and inspired people from all walks of life.

She has the rare gift of being able to connect with and address the concerns of a wide range of people from varied walks of life - from CEOs, corporate executives and policy makers to industrialists, scientists & doctors, lawyers, academicians, homemakers and university students.

Apart from her popular discourses in India, she is a well loved speaker in the United States, UK, Europe and other countries for the last several years. She has been invited to speak at prestigious organizations such as:

- World Economic Forum Davos
- Google, California
- Intel, California
- MasterCard, New York
- World Bank, Washington DC
- Deutsche Bank, New York
- Stockholm School of Economics
- Princeton University, New Jersey
- Shell UK, London
- Coca Cola Company, Atlanta
- Young Presidents' Organization
- Maersk Liner Graduate Programme

She has specially designed world-class educational programs on basic human values for school children and the youth. She has published books on life values for 5 to 8 year olds.



REVERSING AGING

Priti K Shroff
 Founder & Managing Director
 PRISIM – The Healing Temple



Ritu Zaveri
 Yoga Teacher & Writer

Contrary to popular belief, aging and its various symptoms can be controlled and in certain cases, drastically reduced as well. According to recent research done by Yale, Harvard and UCLA, aging effects can surely be minimised. Scientists claim that there is a way to recharge our body's batteries. Our bodies contain billions of battery cells which produce all the energy that keeps us alive. This process is critical for metabolism to take place and keeps our muscles and organs functioning. However, due to the multitude of toxins and stressors we are surrounded by, compounded by the constant wear and tear our bodies experience, the cells die out leading us to experience aging symptoms. With the onset of the modern era, this process has radically hastened, causing aging to occur earlier with each passing generation.

Fortunately for us all, there are simple ways to prevent this occurrence. We can help protect these cells and enhance production of new cells which charge our systems with power and vitality.

Are you the sort of person who struggles with weight loss problems and dances between trending diets? There is a very specific reason for behind why there is that nagging feeling of fatigue, memory issues, skin disorders, hair loss, lethargy etc. These symptoms are signals our bodies are sending our way pin pointing to much larger issue. They are not meant to be overlooked or ignored.

Many people are starving on a cellular level in today's day and age. Their bodies are struggling to convert the food they eat into usable energy. We all know we need food and oxygen to live, but in order to actually use that food, our systems need to convert it to a recognisable form of energy - tiny energy molecules called ATP. Mitochondria play a critical role in this process. Mitochondria are responsible for 90% of the cellular energy produced by the body. If that's not enough, they are also the brains behind how this energy must be used by directing all movements of the various tissues and allowing for coordination to occur between each of them. They act like traffic conductors by directing all movements of the various tissues. Every major organ of the body is packed with mitochondria. They also aid in restoring and repairing these very tissues. Dr. Joseph

Pizzorno, Chairman of the Institute of Functional Medicine states, "The better a species does at protecting its mitochondria, the longer a species lives."

Damage to mitochondria can speed up aging and lead to series of health related issues. Mitochondria are extremely sensitive to damage. These battery cells are constantly being attacked every day. They are situated outside of the cell structure and thus are prone to all sorts of threats. Harmful agents may attack in the form of over consumption of processed foods, fruits and vegetables, or even meats. Stressors are present everywhere - from bathing water to the detergents with which we wash our clothes, or even alcohol, cigarettes, mobile phones and computers. Stress runs through mitochondria like a destructive tornado.



WE ALL KNOW WE NEED FOOD AND OXYGEN TO LIVE, BUT IN ORDER TO ACTUALLY USE THAT FOOD, OUR SYSTEMS NEED TO CONVERT IT TO A RECOGNISABLE FORM OF ENERGY - TINY ENERGY MOLECULES CALLED ATP. MITOCHONDRIA PLAY A CRITICAL ROLE IN THIS PROCESS.



Much like any other process, conversion of food into energy causes some waste deposits. This waste is essential and a natural by product of normal body functions. However, damaged mitochondria create toxic an unwanted waste. Damaged mitochondria are unable to convert oxygen to energy. Oxygen within the body needs constant movement. Stagnant oxygen causes further harm to mitochondria which then causes us to slow down. As oxygen leaks out of battery cells, it starts

oxidising various body parts. Battery cell leakage can negatively impact skin, muscles, joints and even the brain.

Let us now focus on some key measures that can be adopted to prevent this entire process from harming our bodies.

Step 1 - Protect mitochondria from oxidative damage caused by stress.

Because the cell battery destroyers are everywhere, trying to avoid them would be close to impossible, instead of running away from the problem, it would be smarter to fight back. Enter nutritional big guns! Super foods loaded with antioxidants. Super foods have true mitochondria saving powers. These foods include- Ashwagandha, Reishi Mushrooms, AlfaAlfa, wheatgrass, kale, maqui berry and chlorella. All chlorophyll containing foods are super heroes for our bodies. Chlorophyll naturally reactivates the enzyme COQ10 which significantly improves heart functioning. It is an extremely powerful protector of mitochondria. There are two forms of COQ10.

- One which is used by your body
- One which needs to be converted.

Supplements tend to use the wrong form of COQ10. The rare ones that do, still can't assure complete absorption. Adding the right foods to our diet is the ideal way to increase natural COQ10 in the body.

Step 2 - Power up battery cell network by promoting repair and replacement of damage to mitochondria.

This process involves addressing the damage that has already been done. During this step we focus on powering up the entire battery cell network. Battery cells tend to wear out over time. Our body is unlikely to produce sufficient energy running on damaged cells or worn out batteries. The target must then shift towards creating new batteries. This process is termed as

mitochondrial genesis. Thanks to the groundbreaking research conducted by Yale University, we now know how this process works. This entire movement is driven by a process called PGC1A. By activating PGC1A protein we become lean and slim. Exercise helps to activate PGC1A and is a greater booster for mitochondrial health.

Superfoods which can help this entire process include- Spirulina, Gotu Kola, turmeric, rhodiola, goji Berry, and açai Berry. They help improve cognitive function, decrease stress and anxiety and protect regeneration of nerves.

Step 3 - Purifying the body by ruminating the toxic waste produced by damaged mitochondria.

This process entails removal of accumulated internal garbage on a regular basis. Green vegetables play a key role in this process. Alfa Alfa, wheatgrass and barley grass are also very important to ensure elimination takes place efficiently. It is useful for getting the sludge out of the system and revive the entire body's metabolic functioning.

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