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INSIDE:

Green Investment
Web 3.0 for Brands
Women in Business
Investing in F&B in Dubai

+ Fund Management Regulations
Shock waves from Current Accounts
ETF Landscape and Regulatory
Antifragile India in a fragile World
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mental health crisis
heal with the elements. connect to nature

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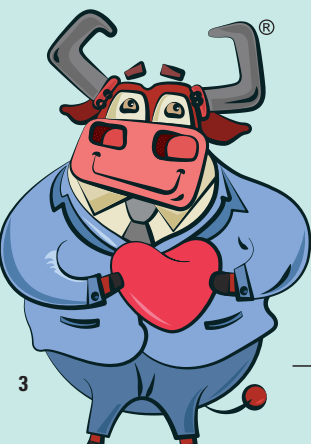
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06 Global Insights

DEFINING WHAT CONSTITUTES A GREEN INVESTMENT WILL BE KEY TO MEETING INDIA'S CLIMATE FINANCE SHORTFALL

WEB 3.0, AN OPPORTUNITY FOR BRANDS TO (RE)BUILD TRUST

WOMEN IN BUSINESS - ADVANTAGES CHALLENGES AND OPPURTUNITIES

HOW TO THINK LIKE A RENAISSANCE LEADER

AN EYE ON INVESTING IN F&B IN DUBAI: THE WORLD'S LEADING F&B DINNERTAINMENT DESTINATION

35 Economy & Society

INNOVATION IN DEVELOPING AND LESS DEVELOPED COUNTRIES: AN OVERVIEW

38 Feature

TRANSPARENCY & TRACKABILITY IN POST-TRADE

UNLEASHING THE POWER OF INTELLIGENT DOCUMENT PROCESSING IN FINANCIAL SECTOR

LIVING IN AN UNPREDICTABLE ENIGMATIC WORLD

SEBI GUIDELINES FOR SEEKING NOC BY STOCK BROKERS/ CLEARING MEMBERS FOR SETTING UP WHOLLY OWNED SUBSIDIARIES, JOINT VENTURES IN GIFT IFSC

LAW ON WILFUL DEFAULTER

16 Your Questions Answered

FUND MANAGEMENT REGULATIONS 2022

ALL ABOUT AIFS IN INDIA

THE EVOLVING CONCEPT OF INSIDER TRADING

50 Regulatory Compliance

COMPLIANCE CALENDAR

27 Insights

SHOCK WAVES FROM CURRENT ACCOUNTS

ETF LANDSCAPE AND CHANGING REGULATORY ENVIRONMENT IN INDIA

ANTIFRAGILE INDIA IN A FRAGILE WORLD

51 Nurturing Lifestyle

LIVE AN INSPIRED LIFE

SPEAK UP BEFORE IT GETS TOO LATE AND MENTAL HEALTH CRISIS BECOMES THE NEXT PANDEMIC

HEAL WITH THE ELEMENTS. CONNECT TO NATURE

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THE FROM

Welcome to the FORUM VIEWS, July 2022 edition

The world economy is facing severe challenges like high inflation - which has now become a global phenomenon. The US inflation is at 8.6% which has caused the US Federal Reserve to increase the interest rates in the coming days. UK is also witnessing high inflation and thus the hardening of interest rates has already stated in the global economy.

The Indian economy is also facing high inflation pressure with CPI inflation at 7.79% and WPI inflation at 15.08%. RBI has already increased the repo rate by 90 basis points in two consecutive meetings held.

BBF SECRETARIAT

The home loans, auto loans have become costly as EMI tends to rise and thus the common man budget goes for a toss. High interest rates in the coming days may hit the demand and consumption theme of the economy as the cost of capital will rise and thus affect the spending power.

Index of industrial production has reached 7.1% eight months high in April 2022. Last reading was 2.2% in March 2022. Core sector data also showed improvement from 4.9% to 8.4% in April. Core sector has 40% weightage in IIP - this was good news as the industrial activity seems to be picking up. The GST collection came at Rs. 1.41 lakh crores which is more than Rs. 1 lakh crores for the 11th consecutive month.

Indian stock markets are also under pressure as the foreign institutional investors are on selling mode. In May 2022, they have withdrawn Rs. 39000 crores from the equity market and thus the total withdrawal in 2022 is more than Rs. 1.5 lakh crores. It is the steady mutual funds flows in the form of SIP investment which is giving some support to the markets. Monthly SIP flows of Rs. 10500 crores show the confidence of the retail investors in the India growth story.

BBF CONDUCTED 30 WEBINARS TOWARDS INVESTOR EDUCATION AND AWARENESS INITIATIVES WHICH WERE ATTENDED BY OVER 1500 PARTICIPANTS.

On the BBF front:

Day/ Date	Interactive webinar(s) on
Friday, 10-Jun	BBF as an outreach partner for the Indian Chamber of Commerce (ICC) event - the Indian IBC Story 2022
Thursday, 9-Jun	NSE Surveillance webinar on "Placing Orders at Fair Prices"

DEFINING WHAT CONSTITUTES A GREEN INVESTMENT WILL BE KEY TO MEETING INDIA'S CLIMATE FINANCE SHORTFALL



Nadia Humphreys

Business Manager,
Sustainable Finance Solutions

Bloomberg LP

(London, United Kingdom)

As India proceeds on its path to meet its 2070 net zero target, while maintaining its aspiration to become a USD 10 Trillion economy along the way, foreign capital will invariably be part of the journey. The investment shortfall on renewable energy alone is estimated to be in the range of USD 649 Billion; while various estimates peg India's green infrastructure investment requirement to meet its climate goals at about 7-8% of the country's GDP.

It is self-evident that India will have to rely on foreign capital for much of this investment - but with the world slowly coming to terms with a post-pandemic reality and various geopolitical factors impacting global investment flows, investors are going to become more discerning about where their money is going.

To some extent though, this is a dilemma that ESG-conscious investors have been faced with for a while already. The lack of definition of what constitutes a green activity, and therefore investment, makes it difficult for investors to allocate their investments and compare funds - even within the same market or jurisdiction.

The EU has led the way in trying to solve for this issue by developing an ESG Taxonomy to define and classify sustainable investments, and a raft of regulations that require a range of ESG disclosures from companies, banks and investment managers. This could potentially provide a cue for policymakers in India.

Driving Sustainable Finance via a Taxonomy Structure

The EU Taxonomy essentially establishes a science-based classification system of what 'green' or 'environmentally sustainable' means for different industries. In doing so, the Taxonomy enables investors to determine what investments are considered as contributing towards European environmental objectives and compare investment funds, all with the same methodology.

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Since 1 January 2022, companies based in Europe with more than 500 employees need to report the proportion of their turnover, capital expenditures and operational expenditures, that are Taxonomy-eligible. Asset managers have the same obligation with regards to their AUM, and banks have to report their Taxonomy-eligible green asset ratio. This is just the first phase of the adoption of the Taxonomy, as ultimately alignment with the Taxonomy (not just eligibility) will need to be reported, a process that requires the completion of a 5 step screening test with various criteria ranging from "substantial contribution" to "do no significant harm" to climate objectives.

It's easy to see how this could also have an impact outside the EU, as demand from European investors for investment products with high Taxonomy-alignment may lead non-EU corporates to start making voluntary alignment claims. Often with financial legislation, third country impacts are to be expected, meaning investors and companies alike should keep in mind that the EU taxonomy may well influence international regulatory frameworks.

Several other countries and regions have also been inspired by the EU's project and are in the process or have launched their own taxonomies.

In India, we are engaging with leading financial institutions and corporates through CFLI India - an initiative that was also started by Michael Bloomberg - to advance public-private collaboration to unlock private climate finance in support of India's energy transition. And as the requirement for private capital to fund India's transition to net zero rises, clarity on defining green investments as well as access to reliable ESG data have great promise as eventual remedies to these challenges.

As a result, over the past few years, the taxonomy structure has become a preferred way forward for most jurisdictions, notably ASEAN, whose Sustainability Taxonomy for Southeast Asia is another key driver of sustainable finance in Asia.

The timing and opportunity for an Indian version of an ESG Taxonomy is ripe. Such a framework will greatly assist in attracting capital to meet India's significant ESG investment shortfall. There is growing support for a similar framework within India as well; Amitabh Kant, CEO of India's NITI Aayog (Government's apex planning body) remarked in a January-2022 editorial that "a well-designed taxonomy will put India on the green finance map and nudge India towards its climate and growth goals."

The need for more and better ESG data

While a formal taxonomy methodology or requirement for such data may not be in place for India or most of the world yet, demand for ESG data is skyrocketing as investors are trying to assess how sustainable their investments are and satisfy growing demand for sustainable investments, even without a taxonomy. There are some key challenges in sourcing ESG data from companies however, the most important ones being the lack of disclosure and standardization. While reporting this data often isn't mandatory for companies, the EU is leading the way, as this data is needed for Taxonomy-alignment evaluation, and will require disclosure of certain types of ESG data in annual reports from 2024 via the Corporate Sustainability Reporting Directive. Work is also underway at the International standardization bodies such as the

International Sustainability Standards Board (ISSB), the Global Reporting Initiative (GRI) and the European Financial Reporting Advisory Group (EFRAG) to standardize reporting of this unstructured data, which is often published in a sparse, incomplete and untimely fashion.

The challenges don't stop there for investment firms, who need to ensure they make sense of this data, integrate it into their technology stack, and comply with new regulatory requirements.

Overcoming Challenges

At Bloomberg, we have extensive experience of providing ESG data and analytics and solution to help firms invest more sustainably. Our offering currently covers almost 12,000 companies and over 410,000 securities in more than 100 countries with more than 15 years of historical data. Beyond this, we offer carbon emissions data, scores, analytics, indices, research and news as well as a solutions for regulatory compliance (notably with the EU Taxonomy) to help banks, investors and companies.

We also engage actively with industry initiatives to help solve for the lack of ESG data through the development and standardization of non-financial disclosures via the TCFD, the EU Platform for Sustainable Finance, the UK's Green Technical Advisory Group, and more recently, the Glasgow Financial Alliance for Net Zero (GFANZ), a global coalition of leading financial institutions committed to accelerating the decarbonization of the economy co-chaired by our founder, Michael Bloomberg.

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Nadia Humphreys (Business Manager, Sustainable Finance Solutions, Co-Rapporteur on the Platform for Sustainable Finance of the European Commission, Member of the Green Technical Advisory Group for HMT UK) - her role is to inform Bloomberg's sustainable finance business on Global ESG regulatory requirements. She also serves as a co-rapporteur on the European Commission's Platform for Sustainable Finance, is a member of the Green Technical Advisory Group for HMT UK and the Green Finance Industry Taskforce convened by the Monetary Authority of Singapore (MAS).

She also supported the Hong Kong Securities and Futures Commission's Technical Expert Group for climate related product disclosure and sits on the International Regulatory Strategy Group's ESG workstream. She was previously the Global Head of Entity Services, supporting regulatory product development for Bloomberg's Entity Exchange platform.

She is a keen advocate for Women in FinTech and sat on Bloomberg's EMEA Diversity Council. She is also an ICMA mentor and coach under the 10,000 small businesses initiative. Prior to Bloomberg, she worked at both JP Morgan and Goldman Sachs, in a number of senior positions. She is on the advisory board of Blockchain & Climate Institute.

WEB 3.0, AN OPPORTUNITY FOR BRANDS TO (RE)BUILD TRUST



Arundhati Seigell

Director

Seigell Consultants

(Dubai, United Arab Emirates)

Will I own a virtual home in the future in a blockchain land and socialise through the metaverse shopping, movies, and sporting events? For digital world enthusiasts like me, it is like living in Dr Strange's world. But for many, the parallel virtual world is daunting and not fathomable.

The reality, however, is that the next version of the internet is already here. We already have a free blockchain technology-based privacy-focused web browser - BRAVE, all set to disrupt the advertising model of Web2.0. Read on to uncover the world of Web 3.0 as it evolves and overcomes the perils of privacy infringement and data fraud.

With the advent of blockchain technologies, many foresee a sea of opportunities opening with unimaginable collaborations with supermarkets, retail outlets, real estate, and entertainment, fueling growth in a crypto-rewarded advertising model, a win-win for consumers and brands alike.

There is no turning back from the Crypto revolution, despite the sceptics. The global crypto adoption increased by a record 880% last year and the crypto industry has a market capitalisation of \$2 trillion. The rise in venture capital investments in blockchain startups is a clear indicator of the fast adoption of the crypto economy.

Decentralisation, Transparency, and Autonomy are the three pillars of Web3.0. We will experience this reality as tokenisation penetrates deeper and faster into our daily lives.

Amidst the wrath of data privacy infringements that have robbed customers' trust, blockchain technology, with its decentralised solutions, is a boon that will give users more power over their data.

The unalterable nature of the blockchain ledger that can verify the legitimacy of transactions without intermediaries between advertisers and users is truly an opportunity for users to exercise their choice on whether to divulge their data with brands and corporations. It is time to change the rules, and people will have the power to do it.

With the advent of blockchain technologies, many foresee a sea of opportunities opening with unimaginable collaborations with supermarkets, retail outlets, real estate, and entertainment, fueling growth in a crypto-rewarded advertising model, a win-win for consumers and brands alike.

Do humans even see ads in Web 2.0?

Wasting advertising dollars and being deceived by bot traffic, domain spoofing, and discrepancies are rising. In a recent discussion with leading marketers in the UAE, determining metrics and understanding which impressions or clicks are potential fraud or actual was one of the biggest obstacles to justifying growth strategies.

The unlawful collection of personal information to sell this user data to third parties to deliver more targeted advertisements is a practice that is damaging brand reputation. The tracking technologies are constantly chasing to retarget ads at your face, and consumers are searching for alternatives to escape.

According to a survey by Forrester, sixty-nine per cent of firms that spend over **\$1 million per month** on advertising lose at least 20 per cent of their budgets to digital ad fraud. Studies and surveys estimate that click fraud is growing by 50% annually. Some advertisers argued that more than 30% of their impressions could have originated from fraudulent click bots. Major brands like P&G have cut their ad budgets because their media agencies have failed to give them the much-needed transparency.

Inflated numbers by manipulations like click frauds, fake impressions by bots and unknown resellers are siphoning money from brands and their marketing and technology partners and becoming the cause for increasing mistrust. User experience interrupted with abrupt ad pop-ups is causing more annoyance than interest in ads. Spam adds fuel to the fire. User's choice is limited, privacy infringed, and trust broken. All this has made Ad-blocking a necessity costing business their Return on Investment with advertising.

Users can choose which brands they consent to share data with and whether they're willing to part with their data or their attention in exchange for tokens. This opt-in value exchange can help advertisers build a long-lasting relationship with their customers and regain trust while ensuring regulatory compliance.

The exponential growth of the digital landscape has created multiple channels of inventory sourcing that have conveniently led to the compromise of privacy and misuse of people's data.

Is authentic digital advertising possible?

Web 3.0, Metaverse and Blockchain may seem far-fetched for many, but it is a real paradigm shift that will shape the future of decentralised solutions that will bring value both to the public as users and to brands and businesses where every dollar spent can be accounted.

Data fraud, centralised control of platforms, and making a killing out of user-generated content is what ruled Web2.0. We now need disruptive technologies that do not rely on monetising user data. BRAVE browser is one such disruption that focuses on privacy, integrated decentralised applications DApps and decentralised finance DeFi with its crypto wallet built into the web browser. BAT is its token that allows advertisers to buy BATs to show ads on the browser. The value exchange for users for viewing ads is earning BATs, and they can choose to see ads related to the content they are browsing. The icing on the cake is that all user data is stored on the user's device and not accessible to any third party. Many blockchain innovations are evolving, like the IPFS for storage, Expert for video calls, EOS as an operating system, Steemit for social networking, Status for messaging and more.

Web 3.0 will change the game with the advent of blockchain technology, enabling ad networks to eliminate fraud by removing the intermediaries and bots who click and interact with your ads. The digital advertising ecosystem will operate directly and automatically with smart contracts enforced through the blockchain between you and the brand.

How will the advertising dynamics of the world change?

A recent study from Market Reports Center found that the global blockchain market was worth \$708 million in 2017 and is expected to rise to \$60.7 billion by 2024. Research published by the Statista Research Department found that global spending on blockchain solutions accelerated from 4.5 billion to 6.6 billion in 2021. In the coming years, demand for security with digital identities and Web 3.0 will increase demand for blockchain.

Blockchain technology is in its infancy, but the advertising ecosystem comprised of the blockchain, the ad platform, and the application platform is evolving. Tokenised marketing is a new way of targeting and saving millions of dollars. Decentralised advertising exchanges will allow companies to advertise their products and services effectively and efficiently. Publishers will tokenise different kinds of advertisement slots on various resources providing full transparency and guarantees of payments for all participants.

We will soon see a revolution in advertising with tokenised rewards, whether cryptocurrency or non-fungible tokens, secured by the immutable blockchain ledger, decentralised security, and the absence of intermediaries. Users can choose which brands they consent to share data with and whether they're willing to part with their data or their attention in exchange for tokens. This opt-in value exchange can help advertisers build a long-lasting relationship with their customers and regain trust while ensuring regulatory compliance. Tracking digital marketing campaigns may not be immediately apparent, but blockchain innovations in advertising are a reality.

'Ferrari of Life' is the title of a column **Arundhati Seigell** penned when she first moved to Dubai, reflecting her vivacious spirit and an insatiable appetite to explore. She is a passionate communicator, go-getter and budding entrepreneur. Her unconventional approach inspired her to co-author the book 'Who Moved My Heels' with amazing women from all spheres of life.

An award-winning women leader who has carved a niche in the communications industry. Arundhati is an accomplished marketing professional, best known for driving change by connecting business strategies to building trust and protecting reputation. Her expertise of 20+ years spans organisations including the United Nations, British Council, IT, Manufacturing and Corporate, in India and internationally. She has steered several successful strategies in revitalising brands and led numerous game-changing initiatives, which has had a tangible and positive impact on organisations and won them several awards.

She hopes to leave a mark to inspire women to be ambitious, bold, and never give up. She firmly believes that the world is an oyster of opportunities, and we must be brave to grab it. She is always ready to plunge into new ventures. She is a self-starter with a firm conviction that what goes around comes around.

She loves exploring marketing technologies, meeting people, exploring new places and creating strong bonds. Born and raised in India, she now lives in Dubai.

WOMEN IN BUSINESS - ADVANTAGES CHALLENGES AND OPPURTUNITIES



Renu Manjunath
Founder

Exquisite Jewelry Line - LabelRM
(Dubai, United Arab Emirates)

Business thrives on account of successful entrepreneurs. Entrepreneurship has been a male-dominated phenomenon from the early ages, but time has made women today's most memorable and inspirational entrepreneurs. India can boast of a plethora of various successful businesswomen and entrepreneurs in the social and economic fields.

It has been proven often that entrepreneurship is not confined to any one gender. Due to multi-faceted economic pressures, women have realized that the dual survival of their familial duties and their own potential lies in working alongside men. However, geographical boundaries vastly affect the differences between the ground realities as women are universally considered as physically and emotionally weaker, therefore their ability to develop into business professionals is an area still quite unexplored and one that requires attention.

Women in business today have been provided with unique advantages that can alter the market place. By navigating various challenges and taking advantage of the available opportunities that come their way, women can easily foray further in business. Its commonly known that challenging one other and collaborating with different-minded people can breed healthy competition; creativity and promote innovative ideas that push organizations forward.

It's inevitable that men and women have different experiences and back-grounds which shape their approach to business. The educated women of the west do not want to confine their lives to the four walls of a house and demand equal respect from their partners. Indian women, on the contrary, are miles away from achieving these rights and positions because of the deep-rooted traditions in the male-dominated, Indian society. The challenges Indian women face in business have been ever-present, and although shrinking, they continue to influence many. One prominent example is under representation in certain fields and industries; as many of these fields have been less accessible to women as compared to men. **Eg. We have a smaller representation of women on the Board of Directors or women pilots .**

Women in business today have been provided with unique advantages that can alter the market place. By navigating various challenges and taking advantage of the available opportunities that come their way, women can easily foray further in business.

Self-employed women; on the other hand, face several problems in small scale enterprises due to limited access to capital, inputs and markets. Studies show that a large number of small home enterprises share one major market segment due to several traditional restrictions which causes competition to be fierce and prices to be low. Hence, these women retailing from small enterprises cannot expand themselves or their product line and consequently are extremely dependent on limited suppliers and wholesalers. This leaves women entrepreneurs economically vulnerable and exposed to exploitation due to their lack of experience and knowledge.

Women develop fewer business contacts due to limited contact caused by the archetype behavior of their male dominated households, less knowledge of how to deal with the governmental bureaucracy and less entrepreneurial bargaining power, all of which further limit their growth. Since most women entrepreneurs operate on a small scale and are typically not members of professional organizations or part of vast networks, they often find it challenging to access information. Most existing networks are exclusively male-dominated and not particularly welcoming to women. When a woman does venture into these networks, her task is demanding because most networking activities take place after regular working

hours whence she may have to cater to her familial demands. There are barely any women-only or women- majority networks where a woman could gain confidence and develop her aptitude further on a competitive sphere. Lack of networks also deprives women of awareness and exposure to good role models. Few women are invited to join trade missions or delegations due to the invisibility of women-dominated sectors and of women as individuals within any given sector.

The opportunity to work creatively and be one's own boss is reason enough for women wanting to be entrepreneurs. In contemporary times, the possibilities of trade are infinite. Be it jewelry, clothes, stocks, or sales, women should be granted an equal support to thrive. After all, women can do more than domestic chores if they want to. Harnessing the full potential of female entrepreneurs can promote innovation, economic growth, and job creation.

One of the major challenges for women in business is gender bias and stereotyping. Men start at higher salaries, are promoted more often, and have a better probability of employment however women, usually placed with misconceptions of being less dedicated and more likely to need time off for their families have fewer say in this. Typically women in India are expected to attend to domestic chores, look after their children and other family members; overburdened with family responsibilities which exerts most of their time and energy. In such situations, it is arduous to concentrate and run an organization successfully and efficiently. Moreover, many investors are skeptical about investing into women-led companies under the impression that women entrepreneurs would not be capable of leading their company towards success, thus avoiding consequent losses. It is often reiterated in India that "women have no place in the business world," and the belief that men are more competent when it comes to financial matters leads to women entrepreneurs being treated with less respect.

Despite this, studies have found that women outperform men in 11 of 12 key emotional intelligence competencies. These competencies included emotional self- awareness, empathy, conflict management, adaptability, and teamwork - all essential skills that make women valuable, especially in leadership

positions. Women tend to excel more at soft skills than their male counterparts, crucial for any professional. Agreed by and large technical skills and knowledge are essential for success. But soft skills and emotional intelligence are equally important. Emotional intelligence in leadership means self-awareness, empathy, and the ability to listen. Although these characteristics are difficult to measure, they can significantly make a difference in leading their companies.

Technical skills are revitalized as women have taken to social media platforms to advertise their beautiful creations, making their own path to close the gender pay gap and climb up the corporate ladder, on their own terms. For a growing number of women, the fastest route to the c-suite is launching their own business, allowing women to foster a new generation of female leadership teams. The number of female entrepreneurs grows each year, still, there needs to be further improvement like seizing higher education opportunities to appear suitable for future leadership roles and to appropriately level the playing field.

Women are good at multitasking and can perform multiple roles. The secret lies in her capability to prioritize tasks.

The opportunity to work creatively and be one's own boss is reason enough for women wanting to be entrepreneurs. In contemporary times, the possibilities of trade are infinite. Be it jewelry, clothes, stocks, or sales, women should be granted an equal support to thrive. After all, women can do more than domestic chores if they want to. Harnessing the full potential of female entrepreneurs can promote innovation, economic growth, and job creation. It is not only beneficial to women, but to society as a whole, hence women in business are needed more than wanted.

Owning a business gives you a sense of freedom and empowerment where you build things and watch them grow. If you want to be a successful entrepreneur, you have to challenge yourself. With this knowledge and passion, firm in her head, **Renu Manjunath**, took a leap of faith pioneering Label RM. She infers inspiration from history, world culture, and music for her designs. Her designs, she says, are meant for the women who are modern but at the same time deeply connected and appreciative of their roots and culture being bold, experimental, distinctive, and expressive aspiring to empower the wearer to make a statement wherever they go. Her unique fashion jewelry is designed in-house and handcrafted combining complex shapes and undulating pattern with precious and semi-precious stones. Her award-winning designs echo the natural surroundings of her youth and focus on movement, texture, and color. A multi-faceted co-author, she engages in custom work, provides consulting and design services apart from regularly conducting courses and lessons. Her passion to nurture young talent leads her to believe that success in any art has its roots in the family environment and youth are an integral part of the development of this sector of the business.

As an entrepreneur, you always have to be looking for the next big challenge. And she does just that... She knows her customers are her best and worst critics compelling one to put in long hours and make sacrifices for business. Keeping in constant touch with her clients; she perceives you shouldn't ever stop networking because you never know where your next lead will come from. You never know who you're sitting next to and what connections or resources they might be able to offer you. Through her journey with Label RM, she learnt that with grit and perseverance, baby steps will get you far toward becoming a successful entrepreneur and today she stands proudly on the threshold of expanding her business across different continents.

HOW TO THINK LIKE A RENAISSANCE LEADER



Jean Marie DiGiovanna
Leadership Speaker
& Coach

Jean Marie Speaks
(US/Europe/SE Asia)



In the last edition, we introduced Renaissance Leadership, why it's important at this time in history and we shared the Five Core Renaissance Leadership Principles. In the next several months we will be taking a closer look at each principle.

As a recap, Renaissance Leaders bring both breadth and depth of talent to their work. They see things differently. They honor the brilliance in others, and they value the uniqueness that each brings to the table. They value diversity and are not afraid to challenge the status quo.

When you think of the Renaissance period and the leaders of that time, who is the first person that comes to mind?

If you guessed, Leonardo DaVinci you are correct. DaVinci was the quintessential Renaissance Leader. He was not only an artist. He was an engineer, scientist and sculpture. He had an insatiable appetite for curiosity and learning. He was so curious that he would break into morgues at night with Michelangelo and dissect cadavers. While it sounds morbid, it was a testament to how much he wanted to understand how the body worked so he could master his craft as an artist.

When he was commissioned for artwork, sometimes he would take years to finish. His clients were very angry at him. What was his motivation for that? There was always something more to learn to include in the painting.

While we don't have the time that Leonardo had back in the day, there is an important lesson and skill he taught us. The skill of curiosity and the need to continue to ask new questions. Which leads me to the first Renaissance Leadership Principle: **"Ask New Questions"**.

Are you directing more than asking? Do you practice genuine curiosity when in conversation or are you finishing the other's sentence and interrupting or knowing what you want to say before they complete their sentence? Do you judge their ideas or get more curious about them?

As a leader in your organization, community or family, what kind of questions are you asking?

Are you directing more than asking? Do you practice genuine curiosity when in conversation or are you finishing the other's sentence and interrupting or knowing what you want to say before they complete their sentence? Do you judge their ideas or get more curious about them?

If you have done any of these in the past, you are not alone. It's not easy to stay curious all the time and be completely 100% present to another. But when we do, amazing results can be achieved for you, your team and in your organization.

How do we stay curious? The most powerful tool to help you stay curious is the tool of asking powerful questions. Questions open up the dialogue for new thinking, new

ideas and creates a culture of connection, innovation, curiosity and learning.

Questions are the answer. But not just any old question. Powerful Questions.

What makes a question powerful? It often starts with a “What?” or “How?” vs “Why?”. “Why” questions can often put the other on the defense and keeps us thinking and analyzing vs. creating movement. “What” and “How” questions forward the action and deepen the learning. They are open-ended and they open up the dialogue vs. close it down.

How often do you ask “Why” questions to your team or peers? Next time you notice a “Why?” question coming up instead, explore switching it to a “What?” or “How?”. Some examples are included below.



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The other two types of questions that open up the dialogue and are extremely powerful (and simple) are:

- Can you say more? (Can you tell me more?)
- Can you help me understand?

When you feel stuck in a conversation, one of these two questions can immediately be asked to open up the dialogue.

One of the greatest needs of human beings is to feel heard, seen and understood. If you simply shifted your “Why?” questions to “What?” or “How?” and you asked the other to share more, you will be the Renaissance Leader who creates that space, and you will make a difference. You will also notice a shift in your interactions and over time, your relationships.

Questions can help shift the culture of your organization, community and family from the inside out. If you would like to get access to a lot more powerful questions to ask, you can find them in my book, “Stop Talking Start Asking: 27 Questions to Shift the Culture of Your Organization” at www.StopTalkingStartAsking.com.

We are going through a “New Renaissance” and that demands a new way of leading.

Be the leader who asks new questions and fosters more humanity at work.

One of the greatest needs of human beings is to feel heard, seen and understood. If you simply shifted your “Why?” questions to “What?” or “How?” and you asked the other to share more, you will be the Renaissance Leader who creates that space, and you will make a difference. You will also notice a shift in your interactions and over time, your relationships.

Jean Marie DiGiovanna is an international keynote speaker, leadership educator, certified executive coach and best-selling author. For the last 25 years, she has been helping leaders, and their teams shift the way they think, lead and communicate creating a culture of increased trust, collaboration and innovation.

She is a master of experiential learning with a unique ability for asking the questions no one is asking and deeply listening for what's not being said. She has a gift for creating a safe environment where leaders and their teams find their voice, speak their truth and resolve conflict swiftly and gracefully.

She is a disruptor, a change catalyst and an innovative thinker working with leaders to uncover hidden talent, unlock new ideas and positively shift the culture so that no talent is left behind. She brings the heart & soul into business and the “being” back into human.

Jean Marie’s Renaissance Leadership Keynotes, Programs, and best-selling book, “Stop Talking Start Asking: 27 Questions to Shift the Culture of Your Organization”, help companies across the globe develop strong leaders, build high trust teams and healthy work cultures.

Download the 10 Questions to unlock hidden talent and new ideas among your team at <https://www.jeanmariespeaks.com>. To learn more about her Keynotes & Renaissance Leadership Programs: <https://www.jeanmariespeaks.com>. Her book at www.StopTalkingStartAsking.com

AN EYE ON INVESTING IN F&B IN DUBAI: THE WORLD'S LEADING F&B DINNERTAINMENT DESTINATION



Gabrielle F. Mather
Founder & CEO
**Restaurant Secrets Inc
& Cornerstone 61**
(Dubai, United Arab Emirates)

If I were to sum up the emotions of the F&B industry as a whole for 2022 in one line, it would definitely be 'An unprecedented state of euphoria, growth & new beginnings, equivalent only to the depth of adversity of the pandemic'.

A number of factors lead to this very encouraging & positive conclusion so early in the year.

1. The UAE government's response & subsequent action plans of both containment through vaccination rollouts, Covid-19 safety rules, and commercially viable decisions balancing the importance of financial stability as much as health form the first part of this reality.
2. The overwhelmingly positive support & response from our extraordinarily willed citizens & residents with grit, entrepreneurial spirit & the strong will to prevail & sustain our lifestyles & visions was the balance of this formula.
3. Data captured from reliable sources pointing to commercial gains & growths posted by this sector, restaurants with waiting lists, rents going higher, new commercial developments announced, and mass return of human resources into the country from Europe, Africa

& Asia after the mass exodus we faced in 2020 & along with recharged & capable Operators, indicates our F&B industry is something everyone wants a piece of & rightly so!

Success in any business is the result of a vision backed by resources, both human & financial. I've personally learned that success is a synergy of pain & pleasure, well utilized for higher gain. The F&B industry is not unlike any other in its challenges, especially when we consider the truth that most who enter it, do so with bigger dreams than wallets, and more passion than expertise. And many times, the very same formula that propels new businesses & ideas to birth, becomes the very reason for the high rate of their failure.

Success in any business is the result of a vision backed by resources, both human & financial. I've personally learned that success is a synergy of pain & pleasure, well utilized for higher gain. The F&B industry is not unlike any other in its challenges, especially when we consider the truth that most who enter it, do so with bigger dreams than wallets, and more passion than expertise.

Regardless of all that, it is also undeniably super glamorous with a sneaky numbers-crunching edge that may overwhelm many, but the resounding truth is that the profitability & sustainability of this industry far exceeds its risk factors.

Recent studies from reliable sources indicate some very interesting facts & data worth digesting before you step into your dream of being a successful restaurateur. This data has been gathered from intensive online research as well as our own learnings from more than 20 years of F&B experience in the UAE &, and from developing in excess of 350 F&B projects.

1. The UAE has among the highest volume of retail gross leasable area on a per capita basis globally.
2. Being a country deeply immersed in coffee culture, it is unsurprising that the country's cafes account for 27% of the total mix of restaurants & specialty coffee is on an unprecedented rise, welcoming the 4th wave in coffee culture.

3. In 2019 (just prior to the COVID-19 pandemic hitting the UAE) Dubai welcomed almost 17 million visitors naturally encouraging investors to take the dining & leisure sector seriously as a very viable area of investment with returns secured *even during recessions (*delivery & casual brands posted higher returns during low times, people eat simpler, but they don't stop eating)
4. The intensive marketing campaigns & travel benefits offered by Dubai in 2020, have reaped high dividends with an influx of visitors & have also strengthened investor interest in the region. Along with home-grown brands, Industry veterans & large Operators & F&B stalwarts have descended on our shores, seeking & securing prime locations to set up extravagant F&B venues, ready for the wave of new F&B diners invading the Dubai leisure scene.
5. Dinnertainment is the future of dining & it has been rapidly growing in Dubai post-pandemic. In fact, we see a more intentional & determined pursuit of entertainment while dining, perhaps as a human response to the year of adversity faced with closures & restrictions.
6. As per a revelation by the Dubai Chamber of Commerce and Industry, online sales in the UAE F&B market grew 255% in 2020 as compared to the previous year, to reach USD 412 million.
7. Food consumption in the UAE is forecasted to grow at an annualized rate of 3.2% from an estimated 8.9 million MT in 2020 to 10.5 million MT in 2025. Growth in the UAE will be largely driven by an expanding population base (3.1% CAGR between 2020 and 2025) and post-pandemic economic recovery.
8. Dubai, for example, has been a popular tourist destination globally, attracting 16.7 million tourists in 2019. While this number declined steeply to 5.5 million in 2020 owing to the pandemic, its ambitious strategy to attract 25 million visitors a year by 2025 will significantly boost the F&B sector.
9. Online sales within the UAE's food and beverage market surged 255% year-over-year in 2020 to reach \$412 million, a new analysis by the Dubai Chamber of Commerce and Industry has revealed.
10. The analysis predicted the value of online food and beverage sales in the country to reach \$619 million by 2025 and record a compound annual growth (CAGR) of 8.5% over the 2020-2025 period.

My mission in penning this article is to encourage anyone reading this to understand the F&B industry from not just its glamorous connotations but also its challenging dynamics of the perfect balance of creativity & consistency. The world has its eye on Dubai as a leading F&B destination, leading hospitality & service provider, and entertainment & lifestyle capital. It has taken a lot of determination, trial error & resilience to achieve this status.

The fact that so many home-grown brands are now being wooed to bring the Dubai brand of 'dinnertainment' to other major cities of the world, is an indication of a mature economy & resiliently pragmatic social fiber. The unique amalgamation of cultures, not just in terms of our diversity but the undeniable quality of our entrepreneurial spirit, enhanced by the passionate entrepreneurial spirit of the leadership, is in my opinion a 'manifestation' case study to explore.

The fact that so many home-grown brands are now being wooed to bring the Dubai brand of 'dinnertainment' to other major cities of the world, is an indication of a mature economy & resiliently pragmatic social fiber.

I have called this ever-evolving nation home, for the past 26 years. I have 'grown' up here, built a family, businesses, and lifelong friendships & the one thing I testify to is that we are not perfect but what we definitely are, are intentional learners, ever resilient & passionate to achieve what may be the 'unattainable' for many.

If Dubai has not been on your radar for potential investment before reading this, which I doubt, do visit us soon. It will be a trip to remember for its hospitality, service, modern amenities & irresistible simplicity in the aspects that really matter. Dubai is a city with a heart that beats louder & bigger than most. The sound you hear, the vibe you feel, the love you experience - that's its people, citizens & residents alike. Come to Dubai.

Data has been collated & curated by the author. Credits due to the following sources:

- <https://www.mediaoffice.ae/en/news/2021/Feb/22-02/Online-sales-within-the-UAEs-food>
- <http://www.alpen-capital.com/gcc-food-report-2021-september-06-2021.pdf>
- <https://argaamplus.s3.amazonaws.com/4b9ab348-c35d-46a2-ae4c-f07d32183d16.pdf>
- <https://www.mediaoffice.ae/en/news/2021/Feb/22-02/Online-sales-within-the-UAEs-food>

Gabrielle F. Mather is the Founder & CEO of Restaurant Secrets Inc & Cornerstone 61, specialized F&B Consultancy firms operating in Dubai since 2008. While Restaurant Secrets Inc is the UAE's leading 360 degrees full solution F&B consultancy firm specializing in creating head-turning concepts, feasibility studies, Production & interior design, talent acquisition, Operational training & menu development, Cornerstone 61 is the next-gen solutions firm that's determined to help restaurants succeed after opening doors with 360 degrees solutions for entrepreneurs & mature F&B businesses in business strategy, operations, financial management & marketing their growing F&B business.

For more information about Restaurant Secrets Inc., visit www.restaurantsecretsinc.com or follow @restaurantsecretsinc on Instagram.



your
questions
answered

SANDIP SHAH

Head, IFSC Dept.
Gujarat International Finance Tec-City Co. Ltd.

FUND MANAGEMENT REGULATIONS 2022

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

An IFSC is a special jurisdiction in India from where global financial service providers offer financial services / products to global customers in foreign currencies. It caters to customers outside the jurisdiction of the domestic economy.

Gujarat International Finance Tec-City (GIFT City) is India's only approved IFSC located in the city of Gandhinagar, Gujarat. GIFT City consist of a conducive Multi-Service SEZ (Special Economic Zone) and an exclusive Domestic Area.

Apart from providing a global financial platform, it provides easy access to the Indian economy, which is amongst the largest and fastest growing economies in the world.

2. How is an IFSC unit 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 the IFSC Authority.

The IFSC Authority Act, 2019 provided for an establishment of unified IFSC Authority for the development and regulation of financial products, financial services and financial institutions in the IFSC in India

A. Fund Management Entity

3. Who is a Fund Management entity?

A Fund management entity (FME) is any entity or a branch of an entity intending to undertake the business of fund management and registered with the IFSCA under the IFSCA (Fund Management) Regulations 2022 ('Regulations').

4. What are the different categories in which an applicant can seek registration as an FME with IFSCA?

An applicant can seek registration as a FME in one of the following categories, as may be applicable:

- a. **Authorised FME**- An FME pooling money from accredited investors or investors investing above USD 250,000 (lower threshold of USD 60,000 in case of employees/ Directors/ Designated Partners/ Partners of the FME) by way of private placement and invest in start-ups or early-stage ventures through a Venture Capital scheme. Family Investment Fund investing in securities, financial products and such other permitted asset classes shall also seek registration as an Authorised FME.
- b. **Registered FME (Non-Retail)** - An FME pooling money from accredited investors or investors investing above USD 150,000 (lower threshold of USD 40,000 in case of employees/ Directors/ Designated Partners/ Partners of the FME) by way of private placement for investing in securities, financial products and such other permitted asset classes through one or more Restricted schemes. FMEs that undertake Portfolio Management Services (including for multi-family office) and act as investment manager for private placement of Investment Trust [Real Estate Investment Trust(REITs) and Infrastructure Investment Trust (InvITs)] shall seek registration as a Registered FME (Non-Retail). Such FMEs shall also be able to undertake all activities as permitted to Authorised FMEs.
- c. **Registered FME (Retail)** - An FME pooling money from all investors or a section of the investors under one or more schemes for investing in securities, financial products and such other permitted asset classes through Retail or Restricted schemes or Venture Capital schemes. Registered FME (Retail) may act as investment manager for public offer of Investment Trusts (REITs and InvITs). Such FMEs shall be able to launch Exchange Traded Funds (ETFs). Further, such FMEs shall also be able to undertake all activities as permitted to Authorised FMEs and Registered FMEs (Non-retail).

4. What are the permissible legal entity forms in which an FME can be set up?

An FME other than Registered FME (Retail) can be set up as a Company or Limited Liability Partnership (LLP) or branch thereof or any other form as may be permitted by the IFSCA. A Registered FME (Retail) can be setup as a Company or its branch or any other form as may be permitted by the IFSCA. An FME can be set up as a branch subject to certain conditions.

5. What are conditions required to be satisfied by an applicant to set up FME as a branch?

An FME can be set up as a branch only if it is already registered and/ or regulated by a financial sector regulator in India or a foreign jurisdiction for conducting similar activities. Further, an FME operating as a branch structure in IFSC is required to comply with the following conditions:

- the entity shall adequately ring fence the operations of the branch in IFSC;
- the entity shall comply with the minimum net worth requirements for its activities in IFSC which may be maintained at the parent level
- the entity shall maintain minimum capital as may be specified by the IFSCA, which shall at all times be earmarked for IFSC and may be held in the jurisdiction of its incorporation; and
- any other requirements as may be specified by the IFSCA.

6. What are the track Record and reputation of Fairness requirements for an applicant proposing to set up an FME?

The applicant proposing to be set up an FME is required to have a sound track record and general reputation of fairness and integrity in all its business transactions. For the purposes of this clause "sound track record" shall mean:

- In case of Registered FME (Retail) - FME or its holding company to have not less than 5 years of experience in managing Assets under Management (AUM) of at least USD 200 million with more than 25,000 investors or at least 1 person in control of the FME holding more than 25% shareholding/share of profits in the FME be carrying on business in financial services for a period of not less than 5 years

The IFSCA may consider other criteria for sound track record to facilitate new generation fintech companies with innovative ideas that may lead to further market development

- In case of Registered FME (Non-retail) and Authorised FME - FME shall employ such employees who shall have prescribed relevant experience

7. What are the requirements in terms of minimum number of Key managerial personnel (KMP) and their qualification requirements?

The minimum number of KMP and their qualification requirements for each category of FME is provided as follow:

Category of FME	Authorised FME	Registered FME (Non-Retail)	Registered FME (Retail)
Minimum no. of key managerial personnel (KMP)	1	2	3
Role of the KMP	<p>1 - Designate a Principal Officer who shall be responsible for overall activities of the FME (including but not limited to fund management, risk management and compliance).</p>	<p>1 - Designate a Principal Officer who shall be responsible for overall activities of the FME (including but not limited to fund management, risk management and compliance).</p> <p>2 - KMP designated as a Compliance and Risk Manager responsible for compliance with the Regulations and ensure suitable risk management policies and practices at the FME.</p>	<p>1 - Designate a Principal Officer who shall be responsible for overall activities of the FME (including but not limited to fund management, risk management and compliance).</p> <p>2 - KMP designated as a Compliance and Risk Manager responsible for compliance with the Regulations and ensure suitable risk management policies and practices at the FME.</p> <p>3 - KMP designated with the responsibility of fund management.</p>
Experience and professional qualification of Principal Officer/ KMPs	<p>Professional Qualification: A professional qualification or post-graduate degree or post graduate diploma (minimum 2 years) in finance, law, accountancy, business management, commerce, economics, capital market, banking, insurance or actuarial science from a university/ institution recognised by the Central Government or any State Government or a recognised foreign university/ institution/ association or a certification from any organization/ institution/ association/ stock exchange which is recognised/ accredited by the IFSCA or a regulator in India or Foreign Jurisdictions; and</p> <p>Experience: At least 5 years in related activities in the securities market or financial products including in a portfolio manager, broker dealer, investment advisor, wealth manager, research analyst or fund management.</p>		

8. What are the minimum net worth requirements for an FME?

The FME shall, at all times, fulfill the below net worth requirements or such other amount as may be specified by the IFSCA:

Category of FME	Authorised FME	Registered FME (Non-Retail)	Registered FME (Retail)
Minimum Network	USD 75,000	USD 5,00,000	USD 1,000,000

In case of an FME operating as a branch structure in IFSC, the specified minimum net worth requirements may be maintained at the parent level. However, the parent entity shall ensure that adequate funds are available for branch for its day-to-day operations.

The contribution/ investment by the FME in the schemes shall be considered/ included for the purpose if of net worth calculation.

The minimum net worth requirements as stated above shall be separate in addition to the minimum net worth requirements applicable for other activities within or outside IFSC.

9. What are the requirements in terms of Fit and Proper person criteria for an applicant to be eligible to set up an FME?

The applicant and its principal officer, directors/ partners/ designated partners, KMP and controlling shareholders shall fulfill the fit and proper person criteria specified in Regulation 9, at all times.

10. Who is required to obtain registration from IFSCA under the IFSCA (Fund Management) Regulations, 2022?

Under the erstwhile regulatory regime, the Fund was required to obtain registration from the IFSCA. However, as per the IFSCA (Fund Management) Regulations, 2022, the FME is required to obtain registration from the IFSCA. An entity desirous of obtaining a certificate of registration as a FME in IFSC shall submit an application form in the format and manner as specified in First Schedule of the Regulations.

11. Can a FME change its category of registration subsequently?

Yes, an FME which has been granted registration under a particular category can change its category subsequent to registration, subject to fulfilling the requisite conditions/ requirements of the category of registration it seeks to obtain and with the prior approval of the IFSCA.

12. What are the transition provisions for existing Alternative Investment Fund / Fund manager registered before the effective date of the IFSCA (Fund Management) Regulations, 2022?

The existing fund managers in IFSC have been provided a transition time limit of 6 months within which they are required to comply with the Regulations and obtain registration from the IFSCA.

B. Schemes for Fund Management

13. What are the different categories of schemes permitted to be set up in IFSC?

The following categories of schemes can be launched under the Regulations, as may be applicable:

- Venture Capital schemes - Schemes that primarily invest in unlisted securities of start-ups, emerging or early-stage Venture Capital undertakings mainly involved in new products, new services, technology or intellectual property right based activities or a new business model or other schemes which invest in such entities and shall also include an angel fund. Authorised FME, Registered FME (Non-Retail) and Registered FME (Retail) are eligible to launch a Venture Capital scheme.
- Restricted schemes - Schemes that may be launched by Registered FMEs for various investment strategies for:
 - investing in start-up or early-stage ventures or social ventures or SMEs or infrastructure or other sectors or areas which the government or regulators consider as socially or economically desirable
 - investment for undertaking diverse or complex trading strategies including investment in listed or unlisted derivatives and for permitted investments under longevity finance
 - investment which does not fall under the clause (1) and (2) above.

Registered FME (Non-Retail) and Registered FME (Retail) are eligible to launch a Restricted scheme

- Retail schemes - Schemes that are launched by Registered FMEs (Retail) for pooling money from all investors or a section of investors through an offer document for investment as per its stated investment objective in various permissible investments. Registered FME (Retail) is eligible to launch a Retail scheme

14. In which legal forms can a scheme be set up in IFSC?

A Venture capital or Restricted scheme can be constituted in IFSC as a Company, LLP or a Trust. A retail scheme can be constituted in IFSC as a Company or a Trust.

15. Can a scheme set up in IFSC be open-ended or close-ended?

Venture Capital scheme shall be launched as a close - ended scheme. Restricted or retail scheme can be launched as a open - ended or close - ended scheme

16. What is the minimum and maximum size of corpus of a scheme set up in IFSC?

The minimum and maximum size of corpus of a scheme set up in IFSC is as follows:

Category of Scheme	Venture capital scheme	Restricted scheme	Retail scheme
Minimum corpus	USD 5 million	USD 5 million	USD 5 million
Maximum corpus	USD 200 million	No limit	No limit

17. Who can make investment in a scheme set up in IFSC and minimum threshold of investment? What is the maximum and minimum limit on the number of investors in a scheme?

Category of Scheme	Venture capital scheme	Restricted scheme	Retail scheme
Investors	a) Accredited Investors (without any investment threshold) or investors investing above USD 250,000 b) Investors who are employees or directors or designated partners/ partners of the FME, the minimum value of investment shall be USD 60,000	a) Accredited Investors or investors investing above USD 150,000 b) Investors who are employees or directors or designated partners or partners of the FME, the minimum value of investment shall be USD 40,000	Retail schemes shall be open to all investors. Further, there is no minimum threshold limit for investment in a Retail scheme
Number of investors	a) Minimum - no restrictions b) Maximum - 50 investors	a) Minimum - no restrictions b) Maximum - 1000 investors or such higher limit as may be prescribed by the IFSCA	a) Minimum - 20 investors with no single investor investing more than 25% in a scheme b) Maximum - no restrictions

Schemes that are launched by Registered FMEs (Retail) for pooling money from all investors or a section of investors through an offer document for investment as per its stated investment objective in various permissible investments.

18. What is the prescribed minimum contribution/ investment that the FME has to maintain in the scheme?

Category of Scheme	Venture capital scheme	Restricted scheme	Retail scheme
Minimum contribution/ investment by FME or its associate	<ul style="list-style-type: none"> Scheme with targeted corpus of less than USD 30 Million - at least 2.5% of the targeted corpus and not exceeding 10% of the targeted corpus; Scheme with targeted corpus of more than USD 30 Million - at least USD 750,000 and not exceeding 10% of the targeted corpus 	a) Close ended scheme <ul style="list-style-type: none"> Scheme with targeted corpus of less than USD 30 Million - at least 2.5% of the targeted corpus and not exceeding 10% of the targeted corpus Scheme with targeted corpus of more than USD 30 Million - at least USD 750,000 and not exceeding 10% of the targeted corpus 	Lower of: <ul style="list-style-type: none"> 1% of the AUM of the scheme; or USD 200,000
		b) Open-ended scheme <ul style="list-style-type: none"> Scheme with targeted corpus of less than USD 30 Million - at least 5% of the targeted corpus and not exceeding 10% of the targeted corpus Scheme with targeted corpus of more than USD 30 Million - at least USD 1,500,000 and not exceeding 10% of the targeted corpus 	
Whether contribution mandatory in case of relocation of schemes established outside India to IFSC	Not mandatory		

Category of Scheme	Venture capital scheme	Restricted scheme	Retail scheme
Exemption from minimum contribution	<p>The FME will be exempted to contribute in the scheme subject to fulfilling the below conditions:</p> <ul style="list-style-type: none"> at least 2/3rd of the investors in the scheme by value permits waiver of such contribution, or at least 2/3rd of the investors in the scheme are accredited investors, or the scheme is a fund of fund scheme investing in a scheme which has similar such requirements. 		<p>The FME will be exempted to contribute in the scheme, if the scheme is a fund of fund scheme investing in a scheme which has such similar requirements</p>

The above contribution shall be made by the FME or its associate entity within 45 days from the launch of the scheme and maintained on an ongoing basis.

19. What is a green channel and for which categories of schemes it is available?

A Green channel is an automated approval route through which the accredited investors may subscribe to investments permissible under the scheme immediately upon the FME filing the placement memorandum (along with the application fees) with the IFSCA. The following categories of schemes can be under a green channel:

- A venture capital scheme, and
- Restricted schemes soliciting money only from accredited investors

20. What are the investment restrictions applicable to a scheme in IFSC?

The investment restrictions applicable to a scheme in IFSC are as follows:

Category of Scheme	Venture capital scheme	Restricted scheme	Retail scheme
Investment restrictions	<ul style="list-style-type: none"> Venture Capital schemes shall invest at least 80% of the AUM in investee companies incorporated for less than 10 years or other Venture Capital schemes. These schemes may invest in associate entities subject to prior approval of 75% investors in the scheme by value 	<ul style="list-style-type: none"> Maximum investment by an open-ended Restricted scheme in securities of unlisted companies should not exceed 25% of the corpus of the scheme. Restricted schemes may invest in associate entities subject to prior approval of 75% investors in the scheme by value 	<ul style="list-style-type: none"> An open-ended Retail scheme shall not invest more than 15% of the total AUM of the schemes in unlisted securities A close ended Retail scheme shall not invest more than 50% of the total AUM of the schemes in unlisted securities Retail schemes shall not invest more than 10% of its AUM in securities of a single company (15% limit with prior approval of the fiduciaries) <ul style="list-style-type: none"> Investment limit on single company shall not be applicable in case of Index schemes. Retail schemes shall not invest more than 25% of its AUM in associated entities of the FME. Retail schemes shall not invest more than 25% of its AUM in a single sector (other than financial services sector). In case of investment in financial services sector, the amount shall not exceed 50% of the AUM of the scheme. <ul style="list-style-type: none"> Limits on sectoral caps shall not apply in case of a sectoral/ thematic/ Index scheme

21. Can a scheme in IFSC borrow or engage in leveraging activities?

Category of Scheme	Venture capital scheme	Restricted scheme	Retail scheme
Investment restrictions	<p>Schemes may borrow funds and engage in leveraging activities subject to:</p> <ul style="list-style-type: none"> disclosure of maximum leverage along with methodology for calculation of leverage in the placement memorandum. The leverage shall be exercised in accordance with the disclosures in the placement memorandum and any deviation shall be subject to consent of 2/3rd of the investors by value; and the FME to have a comprehensive risk management framework appropriate to the size, complexity and risk profile of the scheme. 		<p>Retail schemes may borrow funds and engage in leveraging activities only to meet the temporary liquidity needs for the purpose of redemption subject to the following:</p> <ul style="list-style-type: none"> maximum borrowing shall be 20% of the AUM of the scheme. duration of borrowing shall not exceed 6 months

22. Can a scheme set up in IFSC co-invest?

A Venture Capital scheme or a restricted scheme can co-invest in permissible investments through a SPV under a framework specified by the IFSCA or through a segregated portfolio by issuing a separate class of units and shall ensure that:

- The investments by such segregated portfolios shall, in no circumstance, be on terms more favourable than those offered to the common portfolio of the Venture Capital scheme; and
- Appropriate disclosures have been made in the placement memorandum regarding creation of segregated portfolio.

23. What are the key benefits for a scheme and FME in IFSC?

The key benefits for a scheme and FME in IFSC are as follows:

- Various tax and regulatory incentives and exemptions granted
- Lower operating costs due to subsidies granted by the Gujarat Government
- Availability of skilled resources
- Proximity to the onshore market
- World class infrastructure, unparalleled connectivity and transportation access.

24. What are the steps for setting up an FME and scheme in IFSC?

The key steps for setting up an AIF in IFSC are as follows:

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



A FME IS REQUIRED TO ENTER INTO A WRITTEN AGREEMENT WITH THE PORTFOLIO MANAGEMENT CLIENT THAT CLEARLY DEFINES THE INTER SE RELATIONSHIP AND SETS OUT THEIR MUTUAL RIGHTS, LIABILITIES AND OBLIGATIONS RELATING TO MANAGEMENT OF PORTFOLIO INCLUDING DETAILS PERTAINING TO INVESTMENT OBJECTIVES, RISK FACTORS, TERMS OF FEES, PERIOD OF THE CONTRACT, ETC.



C. Portfolio Management services

25. Who can provide portfolio management services from IFSC?

A registered FME, both retail and non retail, can offer portfolio management services to its clients.

26. Is a registered FME required to obtain separate registration from IFSCA for launching scheme and providing portfolio management services?

No, a registered FME can launch scheme and provide portfolio management services under a single registration from IFSCA.

27. To whom can an FME offer portfolio management services?

An FME in its capacity as a portfolio manager can offer portfolio management services to the following:

- a person resident outside India;
- a non-resident Indian;
- a non-individual resident in India who is eligible under FEMA to invest funds offshore, to the extent of outward investment permitted; and
- an individual resident in India who is eligible under FEMA to invest funds offshore, to the extent allowed in the liberalised remittance scheme of Reserve Bank of India

28. Can an FME provide portfolio management services to a multi-family office?

Yes, FME can provide services to multi-family office under a portfolio management agreement.

29. What are the investments permissible to be made by an FME, operating as Portfolio Manager?

An FME operating as a portfolio manager in an IFSC is permitted to invest in securities and financial products in IFSC, India or foreign jurisdiction.

However, in case of an FME providing discretionary portfolio management services, it can invest in securities listed or to be listed or traded on the stock exchanges, money market instruments, units of investment scheme and other financial products as specified by the IFSCA from time to time.

30. Whether a FME can provide advisory services to its clients as a part of its portfolio management services?

FME as part of its portfolio management services can enter into an agreement for advisory services provided that the advisory services are for a portfolio of minimum USD 150,000 and the FME complies with the specified regulations under the IFSCA (Capital Markets Intermediaries) Regulations, 2021.

31. What is the minimum requirement in terms of amount of funds or securities a FME can accept from the client in case of a portfolio management agreement?

An FME cannot accept from the client, funds or securities worth less than USD 150,000 in case of a portfolio management agreement. The minimum investment threshold shall not be applicable in case of an accredited investor. The existing portfolio managers registered with the IFSCA prior to the effective date of the Regulations and having clients with funds or securities worth less than USD 150,000 shall be grandfathered in the manner as may be specified by the IFSCA.

32. Can a FME charge return based fee from the client for rendering portfolio management services?

FME can charge a fixed fee or a return based fee or a combination of both.

33. Is the FME required to enter into a written agreement with the portfolio management client?

A FME is required to enter into a written agreement with the portfolio management client that clearly defines the inter se relationship and sets out their mutual rights, liabilities and obligations relating to management of portfolio including details pertaining to investment objectives, risk factors, terms of fees, period of the contract, etc.

34. Can the FME borrow funds or securities on behalf of the client?

No, the FME cannot borrow funds or securities on behalf of the client.

35. Can the FME indulge in speculative transactions?

The FME shall not indulge in speculative transactions except transactions in derivatives which can be undertaken with express client consent.

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. He 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. He 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. He 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. He is also a visiting faculty at Institute of Commerce, Nirma University.

He has previously worked with HSBC in the Securities Market vertical and National Securities Depository Ltd (NSDL) at Mumbai between 2010 to 2015. He has in his earlier assignment worked for operationalizing India's first Insurance Repository.



your
questions
answered

NEERAJ AGGARWAL

Commercial Director
Vistra ITCL (India) Limited

ALL ABOUT AIFS IN INDIA (SERIES 3)

1. What is Fund of Funds?

Fund of Funds, in general parlance as gathered from publicly available sources an investment strategy of holding a portfolio of other investment funds rather than investing directly in stocks, bonds or other securities. In the context of AIFs, a Fund of Fund is an AIF which invest in another AIF.

2. Can an AIF change its category pursuant to registration?

Yes. As per Circular No. CIR/IMD/DF/12/2013 dated 07th August, 2013, only AIFs *which have not made any investments under the category in which they were registered earlier shall be allowed to make application for change in category.* Such AIFs are required to make an application in Form A along with necessary supporting documents. Application fees of Rs. 1,00,000/- must be paid along with the application to SEBI. AIFs are not required to pay registration fees for such applications.

If the AIF has received commitments/ raised funds prior to application for change in category, the AIF shall be required to send letters/emails to all its investors providing them the option to withdraw their commitments/ funds raised without any penalties/charges. Any fees collected from investors seeking to withdraw commitments/ funds shall be returned to them. Partial withdrawal may be allowed subject to compliance with the minimum investment amount required under the AIF Regulations.

The AIF shall not make any investments till deployment of fund as per the scheme other than in liquid funds/ banks deposits until approval for change in category is granted by SEBI.

On approval of the request from SEBI, the AIF is required to send a copy of the revised placement memorandum and other relevant information to all its investors. [Ref. Circular No. CIR/IMD/DF/12/2013 dated 07th August, 2013].

3. Who are Accredited Investors?

SEBI amended the AIF regulations for privileged or professional class of investors treated them as informed or well advised on investment products having following key highlights. [Ref Circular no. SEBI/HO/IMD/IMD/DF9/P/CIR/2021/620]

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THE AIF SHALL NOT MAKE ANY INVESTMENTS TILL DEPLOYMENT OF FUND AS PER THE SCHEME OTHER THAN IN LIQUID FUNDS/ BANKS DEPOSITS UNTIL APPROVAL FOR CHANGE IN CATEGORY IS GRANTED BY SEBI.

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Concept and eligibility criteria

- Accreditation Agency (Agency) refers a subsidiary of a recognized stock exchange or a subsidiary of a depository or any other entity as may be specified by SEBI that can recognize an Agency subject to satisfaction of conditions prescribed.
- Accredited Investors are any person who is granted a certificate of accreditation by an Accreditation Agency like:
 - » **Non corporates** (individual HUF, family trust or sole proprietorship) with either:
 - annual income (income) of at least INR 2 crore OR

- net worth of at least INR 7.50 crore, of which not less than INR 3.75 crores is in the form of financial assets OR
- with income of at least INR 1 crore rupees and minimum net worth of INR 5 crore, of which not less than INR 2.50 crore is in the form of financial assets
- » **Trust other than family trust and Body Corporate** has net worth of at least INR 50 crore
- » **Partnership firm** set up under the Indian Partnership Act, 1932 having partners that independently satisfy the eligibility criteria for accreditation
- » Accredited Investors introduced as large value fund to include AIFs OR scheme of an AIF in which each investor (excluding Manager, Sponsor, employees or directors of the AIF OR employees or directors of the Manager) investing not less than INR 70 crore.



AN AIF MAY RAISE FUNDS FROM ANY SOPHISTICATED INVESTOR WHETHER INDIAN, FOREIGN OR NON-RESIDENT INDIANS, WHO INTER ALIA UNDERTAKE RISK OF INVESTING IN PRIMARILY UNLISTED OR ILLIQUID SECURITIES.



- Exceptions to Accredited Investors for Central and the State Governments, developmental agencies set up under the aegis of the Central Government or the State Governments, funds set up by the Central or the State Governments, Qualified Institutional Buyers as defined under SEBI Issue of Capital and Disclosure Regulations, 2018, Category I FPIs, sovereign wealth funds and multilateral agencies and any other entity notified by SEBI to be deemed as an AI and may not be required to obtain a certificate of accreditation

Advantages for the Accredited Investors under AIF Regulations

- Accredited Investors are exempt to invest an amount lower than the current minimum investment limit of INR 1 crore in the AIF
- Approved large value funds for Accredited Investors absolved from conditions prescribed in the schemes like launch and filings of scheme with delays in responses to SEBI

- Large value funds for Accredited Investors permitted to extend its tenure beyond 2 years, subject to terms of the contribution agreement, other fund documents and such conditions prescribed by SEBI
- Under general investment conditions benefit to Large value funds for Accredited Investors of:
 - » Category I and II to invest up to 50% of the investable funds in an investee company directly or through investment in the units of other AIFs
 - » Category III may invest up to 20% of the investable funds in an investee company directly or through investment in units of other AIFs

4. Can an AIF raise any amount offunds from any investor?

An AIF may raise funds from any sophisticated investor whether Indian, foreign or non-resident Indians, who *inter alia* undertake risk of investing in primarily unlisted or illiquid securities. However, AIF (*other than angel fund*) shall not accept from an investor, an investment of value less than one crore rupees. In case of investors who are employees or directors of the AIF or employees or directors of the Manager, the minimum value of investment shall be twenty five lakh rupees. [Ref. Regulation 10 (c)]

5. What are the reporting requirements to SEBI for AIFs registered with SEBI?

As per circular No.CIR/IMD/DF/10/2013 dated 29th July, 2013, Category I and II AIFs and the Category III AIFs which do not undertake leverage are required to submit report to SEBI on a quarterly basis while Category III AIFs which undertake leverage are required to submit the reports on a monthly basis. The formats for such reports are provided as a part of the said circular. All AIFs shall submit the report irrespective of whether or not the AIF has started activity.

Currently, all AIFs shall send reports to SEBI by email to aifreporting@sebi.gov.in. No physical reports are required to be filed with SEBI. The reports are required to be submitted within 7 calendar days from the end of quarter/end of month as the case maybe. [Ref. circular No.CIR/IMD/DF/10/2013 dated 29th July, 2013]

Neeraj is a qualified TEP- STEP Singapore, CFP, LLB and MBA from Delhi and has been associated with Vistra ITCL (India) Limited since 2014. He has more than 15 years of work experience in the area of Fiduciary services, Wealth Management and Branch Banking. Prior joining Vistra ITCL (India) Limited, he has worked with Kotak group, Axis Bank and ICICI Bank.

Vistra ITCL (India) Limited (Vistra ITCL) is the largest independent corporate trustee in India. Vistra ITCL offers a multitude of trustee services across debentures and bonds, private equity and alternate funds and bank lending. We also offer corporate formation and market entry services, due diligence, enforcement and monitoring services to both domestic and foreign entities including banks, financial institutions, corporates, funds, governments, insurance companies, non-profit organizations and high net worth individuals.

Vistra ITCL is part of Vistra. Vistra is among the world's largest corporate service providers with presence in 44 countries and a service offering across corporate formations, fiduciary trust, fund administration and international back offices.



your
questions
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ZERICK DASTUR

Founder

Zerick Dastur, Advocates and Solicitors

THE EVOLVING CONCEPT OF INSIDER TRADING

The law around Insider Trading which has been recognized as an undesirable practice for around 5 decades now, has evolved substantially especially since the introduction of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 (“**PIT Regulations**”) which replaced the SEBI (Prohibition of Insider Trading) Regulations, 1992. The early landmark judgement by the Securities Appellate Tribunal (SAT) in the case of HLL vs SEBI, in 1998, also paved the way for the introduction of the concepts of “unpublished” and “price sensitive information”. Insider trading as per the Regulations means, dealing in securities of a listed company traded on any stock exchange in India by insiders which term includes Directors, Officers and Designated Employees, when in possession of unpublished price sensitive information (“**UPSI**”). This includes material information which is not yet publicly available information. The Regulations seeks to prohibit insider trading and protecting the rights and interests of investors in general.

1. What is the Code of Conduct under the PIT Regulations, 2015? Who does it govern?

Governed by Regulation 9 of the PIT Regulations, the code is a set of guidelines with prescribed minimum standards set out in the PIT Regulations, to regulate, monitor and report trading of employees and connected persons. The requirement is cast upon the board of directors of a listed company and market intermediary to ensure that its chief executive officer or managing director formulates such a code of conduct. Such code of conduct inter alia provides details including guidelines for communication of UPSI, process of inquiry and powers conferred to investigating officer in case of a possible leak of UPSI, principles of fair disclosure, dealing with securities when in possession of UPSI, pre-clearances of trades and penalties for

contraventions. SEBI has also held companies liable for not adopting the code of conduct, for example, in 2017, SEBI held some of the officers of Coromandel International Limited (“CIL”) liable for not adopting a code of conduct pursuant to the then prevailing PIT Regulations.

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INSIDER TRADING AS PER THE REGULATIONS MEANS, DEALING IN SECURITIES OF A LISTED COMPANY TRADED ON ANY STOCK EXCHANGE IN INDIA BY INSIDERS WHICH TERM INCLUDES DIRECTORS, OFFICERS AND DESIGNATED EMPLOYEES, WHEN IN POSSESSION OF UNPUBLISHED PRICE SENSITIVE INFORMATION (“UPSI”). THIS INCLUDES MATERIAL INFORMATION WHICH IS NOT YET PUBLICLY AVAILABLE INFORMATION.

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Regulation 9(1) stipulates that every company whose securities are listed on stock exchanges and every intermediary registered with SEBI is mandatorily required to formulate a Code of Conduct governing trading by

designated persons and their immediate relatives. Regulation 9(2) mandates persons who are not listed companies or intermediaries, but are required to handle UPSI, to formulate a Code of Conduct governing trading in securities by their designated persons. These entities include accountancy firms, lawyers, auditors, insolvency professional entities, and analysts.



UPSI (UNPUBLISHED PRICE SENSITIVE INFORMATION) MEANS ANY INFORMATION, WHICH RELATES DIRECTLY OR INDIRECTLY, TO THE COMPANY OR ITS SECURITIES, THAT IS NOT GENERALLY AVAILABLE, WHICH UPON BECOMING GENERALLY AVAILABLE, IS LIKELY TO MATERIALLY AFFECT THE PRICE OF THE SECURITIES OF THE COMPANY AND INCLUDES INFORMATION RELATING TO FINANCIAL RESULTS, FINANCIAL CONDITION, CHANGES IN CAPITAL STRUCTURE, MERGERS, ACQUISITIONS, CHANGE IN BOARD OF DIRECTORS, AND KEY MANAGEMENT PERSONNEL.



2. What is UPSI?

Unpublished Price Sensitive Information means any information, which relates directly or indirectly, to the company or its securities, that is not generally available, which upon becoming generally available, is likely to materially affect the price of the securities of the Company and includes information relating to financial results, financial condition, changes in capital structure, mergers, acquisitions, change in board of directors, and key management personnel. The PIT Regulations vide Regulation 3 prohibit the communication of UPSI by an insider to any person except for legitimate purposes as required under law.

3. What kind of evidence may be considered while adjudicating upon insider trading matters?

Recently, in April 2022, the Supreme Court of India, in the case of *Balram Garg vs SEBI*, analyzed the circumstantial evidence based on which the orders were passed against the Appellants. The facts of the case are as follows: Mr. P.C. Gupta was the Chairman of PC Jewellers Limited, and his brother, Mr. Balram Garg, was its Managing Director. The allegations were against 3 individuals, (a) the son and daughter-in law of P.C. Gupta, Mr. Sachin Gupta and Mrs. Shivani Gupta respectively, and (b) Mr. Amit Garg, nephew of Mr. P.C. Gupta and Mr. Balram Garg, of being involved in the trading either directly or through their holding company while in possession of UPSI. The Hon'ble Supreme Court noted that there was estrangement amongst the members of the promoter family on professional and personal grounds, which suggested that discussions amongst them about the company's affairs would be unlikely. Consequently, the Hon'ble Supreme Court found a lack of sufficient correlation between the UPSI and their trading patterns and observed that it was necessary to produce evidence such as witness statements, letters and emails establishing an account of communication. The law relating to insider trading is dynamic and keeps evolving to meet with the requirements of time.

(Advocate Zerick Dastur and Advocate Harini Subramani)

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.



SHOCK WAVES FROM CURRENT ACCOUNTS

Uma Shanmukhi Sistla
MD & CEO
SBI-SG Global Securities Services Pvt. Ltd.

Markets and Regulators are always in a race to catch up with each other and at times outsmart each other. The saga of current accounts is no different and the story is bound to go through more twists before the next big thing diverts the attention of the players. Current Accounts, as the name suggests, is an account designed to facilitate many transactions, the obvious target clientele being from the business/institutional segments.

Historical Background

In the pre-digitisation era, these clients used to do most of their transactions in cash, hence needed banks that offered convenience of bulk cash handling, both for depositing as well as withdrawing. It was therefore the Public Sector Banks that had the responsibility of cash administration on behalf of RBI, through Currency chests, ruled the roost for decades as the "go-to" banks for Current Account needs.

Cash transactions among businesses also meant fewer (compared to today) firms opened current accounts. Current accounts were opened selectively after proper due diligence on the client and I remember the days when only senior bank officers had the authority to approve opening of a current account. Not only because of the risks posed by large number and value of transactions but also because of bulk cash transactions, a bank official had to assess capability of servicing the account before approving to open a current account. Those were also the days when there was no focus on profitability and the concept of NPA wasn't simply there. Deposit mobilization always aimed at Long-term (therefore high interest bearing) deposits, which were believed to be stable resources.

90s - The Turning Point

The 90s saw a quick succession of a plethora of changes that impacted banking industry in India and particularly the current account business among other things. A few interconnected changes are listed here:

- Adoption of IRAC norms (Income Recognition and Asset Classification) - primarily the concept of NPAs (Non Performing Assets)
- Advent of New Private sector Banks on Core Banking Technology platforms and ATM Services
- Opening-up Multiple Banking Arrangements (MBA) for

borrowing from banks in addition to Consortium lending. (Under MBA, each bank can take its own independent decision to lend to a borrower whereas under consortium model all lending banks take a collective decision).

- Conversion of DFIs into Commercial Banks



MANY BUSINESSES, WHICH DIDN'T HAVE BORROWING ARRANGEMENTS OPENED ADDITIONAL CURRENT ACCOUNTS WITH NPBS FOR CONVENIENCE OF TRANSACTION BANKING. SOON PSBS YIELDED TO THE PRESSURE AND STARTED PERMITTING, THEIR BORROWER CLIENTS ALSO TO OPEN EXTRA CURRENT ACCOUNTS WITH A NON-LENDING NPB FOR CONVENIENCE OF TRANSACTION BANKING. THERE WERE SOME RISK MITIGANTS, BUT THE MONITORING REMAINED MANUAL, WHICH HAD ITS OWN PITFALLS.



There were a lot more radical changes that happened during 90s and thereafter, encompassing financial markets, capital markets, forex markets etc, but for the purpose of this discussion the above changes are critical. In hindsight, it may be construed that, allowing borrowers to go into MBA was too premature and proved to be the worst facilitator to conceal critical information from lenders and led to diversion of funds. Neither the borrowers nor the Banks were well-equipped to handle that freedom allowed by regulators. That in turn led to massive NPAs in the Banking system. Public Sector Banks which were the main term lenders bore the brunt of it, as they filled the void left by DFIs.

Advent of the New Private Sector Banks - Opportunities & Ensuing Challenges

Coming back more specifically to the Current account related impact, the NPBs had the strength of technology and the weakness of access to cash, which was always in the currency chests with PSBs. They leveraged both the strength and weakness, which was the perfect recipe to mobilise current accounts to their fold. Their Core Banking solutions proved to be a boon, inasmuch as they obviated the need for demand drafts and other remittance modes for transferring money between two cities. Even if a DD was needed it was offered free of cost, thereby gaining float funds for the bank. Cash pick up and other cash Management services were introduced quickly thereafter. All these facilities, obviously reduced cost of doing business for the Businessmen, in addition to convenience.

Many businesses, which didn't have borrowing arrangements opened additional current accounts with NPBs for convenience of transaction banking. Soon PSBs yielded to the pressure and started permitting, their borrower clients also to open extra current accounts with a non-lending NPB for convenience of transaction banking. There were some risk mitigants, but the monitoring remained manual, which had its own pitfalls. PSBs were behind the curve by at least 2 decades in adopting computerization and providing Core banking solutions, Online Banking, Cash management solutions etc.

It would be wrong to say only borrowers of PSBs had additional Current accounts with NPBs. The reverse was also true. There are enough instances where borrowers of NPBs also maintained additional current accounts with PSBs, particularly for servicing their operations in remote areas where the NPBs did not have branches. Net-net, for reasons genuine and not so genuine we ended up with clients having multiple current accounts with lending and non-lending banks.

Somewhere along the road, banks also became aware of the benefits of CASA (Current and saving accounts) as a better way of raising resources, in terms of profitability. All banks built their respective cash management products, digital solutions to attract CASA. The competition among banks to open more current accounts with several value-added products for transaction banking gained momentum. While Banks were at it, some of the borrowers utilized the opportunity to divert funds through the plethora of current accounts with multiple banks.

After some root cause analyses for the NPA spike and representations by the banks, the Banking Sector Regulator had come up with many remedial measures to arrest diversion of funds by borrowers and to ensure better sharing of information on borrowers among Banks.

Nevertheless, the menace of multiple accounts continued to be a challenge. Finally, RBI issued stringent instructions to Banks that they cannot open current accounts unless they are lenders at least to the extent of 10% of the total borrowing of the client. The market resisted with several representations, as it has to be, particularly because there are genuine reasons why some types of borrowers needed accounts with banks other than lenders.

Meanwhile, creativity was at its best, as it is reported that some banks tried to join the band of lenders by sanctioning overdrafts against Fixed deposits (Overdrafts that were perhaps never utilized) to their non-borrower current account clients. RBI has been curbing such practices as and when noticed. The news item "Banks to stop collateral-free intra-day funding to brokers" that appeared in Economic times on 23rd May 22, states that "According to the regulation, a bank with less than 10% of the total approved facilities-comprising loans, non-fund businesses like guarantees, and overdrafts-to a company cannot have its current accounts which are sought after by lenders as zero-interest deposits lower a bank's cost of funds. MNC banks, which were hurt by the rule, lobbied with RBI for inclusion of intra-day credit in calculating 'total approved facilities'".

While it is difficult to believe that Banks would want to get the intra-day facilities included in "total approved facilities" merely for retaining current accounts, the repercussions are not only for brokers but also for the banks themselves. As of now, its for the broker community to find solutions while representing their case through appropriate fora. As for current accounts, the story continues to develop...

Uma Shanmukhi Sistla is currently heading SBI-SG Global securities Services Pvt Ltd (SBI-SG) as its MD & CEO, since 1st January 2022. SBI-SG is a joint venture company between State Bank of India, India's Largest Bank and Societe Generale, 6th Largest Bank in Europe. SBI-SG is into providing custody, clearing, fund accounting and other securities services.

She began her career with State Bank of India as Probationary Officer in 1987. She has wide experience spanning 35 years, in various areas of Banking, covering Branch Operations, Credit Management, Consumer Banking, SME Finance, International Banking, Training, e-course development, Investment Banking, Investor relations, Financial Control. She also has exposure to Bank's International operations, owing to a 2 year stint at SBI's Frankfurt Branch.

She has served as a Whole time Director of SBI Capital Markets Limited for a period of two years and was a director on the Boards of the group companies viz. SBICAP Securities Ltd, SBICAP Ventures Ltd & SBICAP Trustee Company Ltd.

Prior to joining SBISG, she held the position of CGM-Financial Control at SBI, and was primarily responsible for capital raising, investor relations, bank level performance monitoring etc.

She is a Science faculty graduate and a Certified Associate of Indian Institute of Bankers. She holds a MBA in Banking and Finance and was also a Certified Financial Planner from FPSB India in 2011.

She takes keen interest in Capital Markets businesses and was also honoured by Equalifi as one among the "Top 100 Women in Finance" during 2020.



ETF LANDSCAPE AND CHANGING REGULATORY ENVIRONMENT IN INDIA

Umesh Kumar Daila

Head – ETF Sales

Mirae Asset Investment Managers (India) Pvt. Ltd.

Introduction

Passive Funds are types of mutual funds that aim to track the performance of a specific index. For example: A NIFTY 50 ETF will have the underlying securities that are identical to NIFTY 50 Index and seeks to generate return similar to NIFTY 50 Total Return Index.



AS OPPOSE TO TRADITIONAL MUTUAL FUNDS, ETFS TENDS TO BE VERY HETEROGENOUS FOR INSTANCE, AFTER SEBI CATEGORIZATION OF MUTUAL FUND SCHEME, INVESTOR CAN BROADLY KNOW ABOUT DIFFERENT SCHEME AT CATEGORY LEVEL. THIS IS NOT THE CASE WITH ETF.



Growth of Indian ETF Market

India's ETF history goes back to 2001, when the first ETF, a NIFTY 50 based scheme, was launched. For the first fifteen years since the initial launch, total assets fluctuated between 10,000 to 15,000 Crores. This trajectory began to change with two changes in government policy. The first was when government of India started using ETFs for divestment of publicly held companies. The Central Public Sector Enterprise (CPSE) ETF was launched in 2014, followed by the Bharat 22 ETF in 2017. Further, regulatory move that propelled this growth was change in investment policy of EPFO where they could invest in equity markets through ETFs. It began with allocating 5% in first year, 10% in second year and as of today they invest up to 15% of annual receipts in ETFs.

The second factor which changed the ETF Landscape was the underperformance of active mutual funds in the large-cap category which led to an increased participation of institutional and retail investors in the ETF Markets. Over 80% of the funds in the equity large-cap category have

underperformed the benchmark over five-year periods as of Dec 31, 2021. (Source: SPIVA)

The third factor which make a passive fund more appealing is low cost. The average expense ratio of large-cap funds in India is ~1.5%. Passive Products tend to be in the range of 0.05% to 0.3% majorly. This difference may seem insignificant, but over a long period, these costs add up. The cost of funds is considered a significant factor in value creation over the long term. TER reduces the return to the investor. If portfolio performance is same, the fund with lower TER will create more wealth for investor.

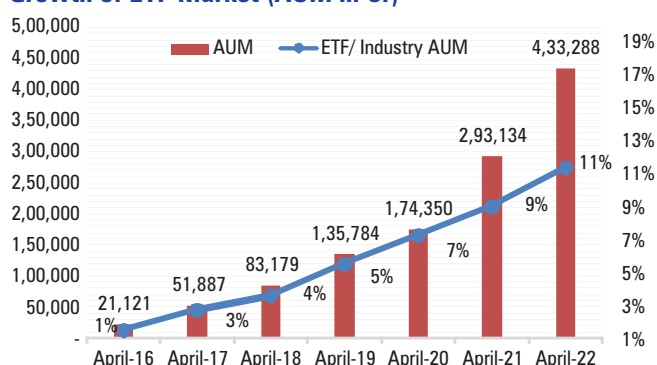
Assets under management of ETFs have grown from 51,887 Crores in April 2017 to more than 4.33 Lakh Crores as of April 2022 - that's a 9X Growth in 5 years, at a CAGR of more than 53%. The number of ETF schemes managed by AMCs have almost doubled in the past 5 years. Also, there is an increased amount of retail participation in ETFs, the number of retail folio in ETFs have increased from 10,51,582 in March 2018 to 1,45,72,839 in March 2022. ETFs are further expected to grow with increasing participation from both retail and institutional investors and is set to become the next big avenue for investments in India.

Folio growth by investor type

Investor Type	Mar-16	Mar-18	Mar-20	Mar-22
Corporates	9839	12,332	27,147	52,905
Y-o-Y Growth (%)	-	25%	120%	95%
HNIs	12,538	17,059	76,714	1,57,786
Y-o-Y Growth (%)	-	36%	350%	106%
Retail	6,75,174	10,51,852	23,22,500	1,45,72,839
Y-o-Y Growth (%)	-	56%	121%	527%

Source: AMFI and ACE MF

Growth of ETF Market (AUM in Cr)



Source: AMFI and ACE MF

A. Challenges of ETF

- ETF is a mutual fund product that can be traded on recognised stock exchange. Just like stocks, bonds, REITs etc. that are listed and traded on exchange, liquidity plays a very important and critical role in building the market. ETFs in India do not have significant liquidity, with large investors preferring to buy and sell directly with AMC in lot sizes.



WHILE ETFS AND PASSIVE INDUSTRY HAVE STILL LONG WAY TO GO AHEAD, THE RECENT SEBI REGULATION IS MUCH WELCOME MOVE IN THE RIGHT DIRECTION AND IS EXPECTED TO MITIGATE SOME OF THE CHALLENGES FACED BY ETFS IN INDIA. WITH RIGHT INVESTOR EDUCATION AND CAMPAIGN AWARENESS FROM PRODUCT MANUFACTURER ABOUT ETFS, IT IS EXPECTED TO POTENTIALLY OFFER PLETHORA OF OPPORTUNITIES FOR INVESTOR TO TAKE DESIRED EXPOSURE SUITING THEIR RETURN AND RISK PROFILE.



- Lack of market depth and higher impact cost for ETF generally stems from absent of the market maker, who acts as intermediary, appointed by AMC, that intends to ensure that ETFs are generally traded around its indicative net asset value.
- In India mutual fund industry is still evolving as a result of which the market is distribution driven which entails the upfront commission on mutual fund product, ETFs being passive in nature do not have any commission as result ETFs become push product via investor education and awareness campaign.
- As oppose to traditional mutual funds, ETFs tends to be very heterogenous for instance, after SEBI categorization of mutual fund scheme, investor can broadly know about different scheme at category level. This is not the case with ETF. As long as there can be index that is replicable, there can be potential ETF on it. Thus, investor's need to understand different indices being tracked by ETFs.

New Regulation:

While the industry and market has been trying to address challenges being faced by ETFs, a major regulatory rule brought in by SEBI recently is expected to help in mitigating the challenges. We believe this may be the inflection point for ETFs in retail segment. Some of the important aspects of regulation are as follows:

- AMC is required to appoint minimum two market makers for continuous liquidity on exchange. Further, AMC can within maximum permissible limit of a scheme TER, may provide incentive to the market maker. Adequate disclosure is required in this regard from AMC. This may potentially help in increasing the liquidity on the exchange. By mandating at least two market makers and incentivizing them makes market making more attractive for liquidity creators.
- The regulation specifies now that only in case of transaction worth 25 Cr or more, an investor can approach directly to the AMC for creation and redemption of ETF units. This means a lot of institutional and HNI investor who used to earlier approach AMC will potentially opt for transacting on exchange thereby increasing the participation and market depth of an ETF.
- Indicative Net Asset Value (I-NAV) has to be compulsorily provided by stock exchanges with stipulated frequency such as maximum every 15 second for Equity ETFs. This is expected to help investor know at what price potentially he should be trading in ETFs. INAV is expected to bridge the gap between price an investor actually pays and what he/she should pay.
- The netting mechanism introduced is expected to ease capital burden of the market maker. There is more clarification required in this regard, however, it is much welcome move in reducing the capital requirement for the market maker for participating in ETF trade in large sizes.
- Disclosure of Tracking Error and Tracking Difference is expected to potentially help improve comparability of different ETFs tracking the same underlying index. This is expected to help investors make an informed decision among various option to choose.

While ETFs and passive industry have still long way to go ahead, the recent SEBI regulation is much welcome move in the right direction and is expected to mitigate some of the challenges faced by ETFs in India. With right investor education and campaign awareness from product manufacturer about ETFs, it is expected to potentially offer plethora of opportunities for investor to take desired exposure suiting their return and risk profile.

Umesh Kumar Daila has more than 17 years of experience in Sales & Distribution, channel Management, business acquisitions for Mutual fund industry in both retail and Banking Segment. Currently he heads the National ETF Sales Channel.

Having a flair for charting out strategies for new market penetration and contributing towards enhancing business volumes and growth, he has worked with various financial services. Prior to this he was associated with TATA AMC and IDBI Bank. He is a commerce graduate and holds an MBA Degree in Finance & Marketing.

ANTIFRAGILE INDIA IN A FRAGILE WORLD

Ravi Dharamshi
Founder
ValueQuest Investment Advisors Pvt. Ltd.



Back in 2013 when the US Federal Reserve announced tapering of its stimulus programme, Morgan Stanley identified five major emerging markets with the most vulnerable currencies. They included Brazil, India, Indonesia, Turkey, and South Africa. India found itself relegated to the pack of 'fragile five' emerging markets. Indian rupee was one of the worst hit in the summer of 2013 taper tantrum, when foreign investors pulled out funds from emerging markets in anticipation of rising yields in developed markets. Foreign institutional investors sold heavily, impacting the currency and stock markets. Further, policy paralysis in that period had impacted business confidence and economic growth.



SOME THINGS BENEFIT FROM SHOCKS; THEY THRIVE AND GROW WHEN EXPOSED TO VOLATILITY, RANDOMNESS, DISORDER, AND STRESSORS AND LOVE ADVENTURE, RISK, AND UNCERTAINTY. YET, IN SPITE OF THE UBIQUITY OF THE PHENOMENON, THERE IS NO WORD FOR THE EXACT OPPOSITE OF FRAGILE. LET US CALL IT ANTIFRAGILE. ANTIFRAGILITY IS BEYOND RESILIENCE OR ROBUSTNESS. THE RESILIENT RESISTS SHOCKS AND STAYS THE SAME; THE ANTIFRAGILE GETS BETTER.



Post Covid shutdown related shock, Indian equity markets, along with most other asset classes saw an unparalleled rise. This was on the back of cheap valuations, fundamental shifts in the balance sheets, surging liquidity and of course an increasing optimism about the future.

However, with the same speed this optimism is fast turning into a very pessimistic outlook due to rising commodity prices,

surging inflation, and supply chain disruptions. Pessimism about the impact of rising inflation and tightening of liquidity, has made FII's make a beeline for the doors.

So, the trillion-dollar question is how vulnerable India & India Inc. is? Another question, and maybe more pertinent - What must India do to ensure that it protects itself against such events and not implode like some of our neighbours? Further, how does India continue to remain an attractive destination and potentially remain the fastest growing economy in the world for a prolonged period? **In short, how does India become Antifragile?**

What is Antifragile?

Antifragility is a concept popularised by Nassim Taleb in his book almost a decade ago, he offers a definitive solution: how to gain from disorder and chaos while being protected from fragilities and adverse events. Antifragile is a blueprint for living in a Black Swan world.

To quote him "Some things benefit from shocks; they thrive and grow when exposed to volatility, randomness, disorder, and stressors and love adventure, risk, and uncertainty. Yet, in spite of the ubiquity of the phenomenon, there is no word for the exact opposite of fragile. Let us call it antifragile. Antifragility is beyond resilience or robustness. The resilient resists shocks and stays the same; the antifragile gets better."

Post 2013 fragile phase, yet again there have been many disruptive events that have tested our fragility like GST Implementation, Demonetization, NBFC Crisis, Covid-19 lockdowns, Russia-Ukraine War, Supply chain disruptions. However, after each crisis, barring the last two which are still ongoing, India has not only survived, but thrived.

Even in the recent crisis, from being one of the worst impacted India has become one of the fastest to recover from a Covid affected economy. India is one of the few nations in the world to have its own indigenous vaccine. We have not only vaccinated the entire billion populace we have done well with vaccine diplomacy. India has done well to withstand the extraordinary pressure for stimulus measures that most countries did. India has shown tremendous characteristics of antifragility. But let's not be biased in our opinion, let's see if the data bears out the same.

Has India demonstrated antifragility?

Rupee Stability

Unlike in 2013, Rupee has been very stable. While the INR has marginally depreciated against the US Dollar, it has in fact appreciated against other currencies and outperformed other emerging currencies. INR has also been one of the least volatile currency in the last few years. Further the prudence shown by the Reserve Bank of India to manage currency stability may be one of the best amongst major economies.

Shoring up reserves

From mortgaging our gold to having surplus forex reserves, we have come a long way in the past 30 years. The foreign exchange reserves to GDP ratio is around 15 per cent. Even after the recent drawdown, India's forex reserves are amongst the top in the world. Reserves will provide a level of confidence to markets that a country can meet its external obligations, demonstrate the backing of domestic currency by external assets, assist the government in meeting its foreign exchange needs.

Strong and growing FDI flows

India has recorded highest ever annual FDI inflow of USD 83.57 billion in the Financial Year 2021-22. It is amongst the top 10 FDI recipients globally. And this source of external capital aids far more in antifragility than FPI flows.

Strong and growing GST collections

The passage of GST has been one such game changer as the numbers are proving. GST completely alters the way government finances are managed in India. Hitherto, tax collection in India was decentralized, while expenditure was centralized through the Planning Commission, which set expenditure priorities for the states. GST centralizes India's taxation in the hands of the Central Government, while the abolition of the Planning Commission in 2014 had already set the stage for decentralization of expenditure to the state governments. This shift, in our view, will provide a major boost to Indian government finances.

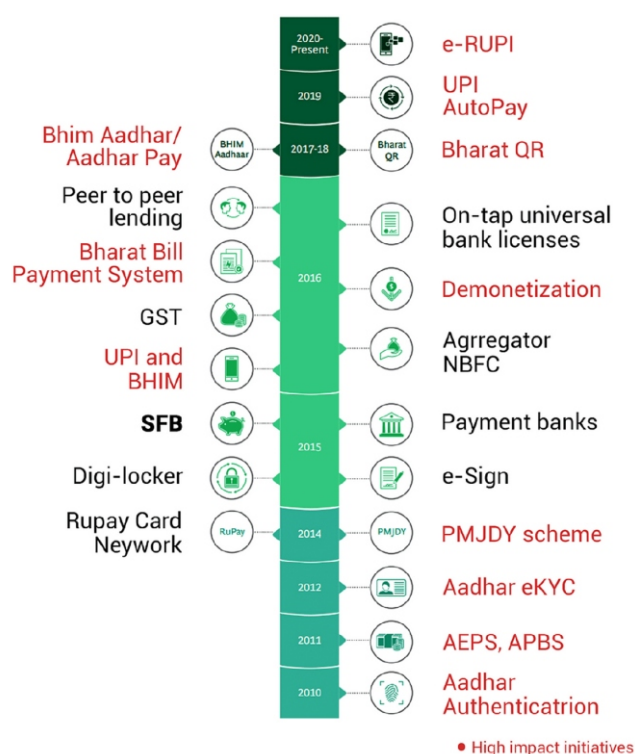
Growth revival with minimal fiscal stimulus

India has charted its own course in fiscal policy. When major developed economies, are now taking away the stimulus in the light of inflationary pressures, India is being counter cyclical by providing stimulus through reducing duty on fuel. There was a similar measure taken during the Covid times, when the govt did not go down the easy path of giving direct stimuli, but instead chose to hold back it's firepower till the end while supporting the lowest strata of the economy. In a relative sense, and because of the constraints, India was far more judicious in its use of fiscal stimulus.





Digital India - Technology Leapfrog

Being late to the technology party has some advantages, from having to wait for years to get a telephone connection to having the lowest cost of internet data, India has come a long way.

Classic example has been the push of internet & mobile phone, across the divide of the country, which is amongst the lowest costs in the world and thus enabling most of the country to be connected digitally and being the beneficiaries of faster support / schemes by the government. The confluence of JAM - or Jan Dhan, Aadhar and Mobile has created a new India. UPI is now easily one of the best payment interface and gateways and has put a billion Indians on mobile banking & the latest Arogya Setu has been a revelation in how swiftly and efficiently the country used technology to vaccinate a billion Indians.



Continued Transition to Digital Economy

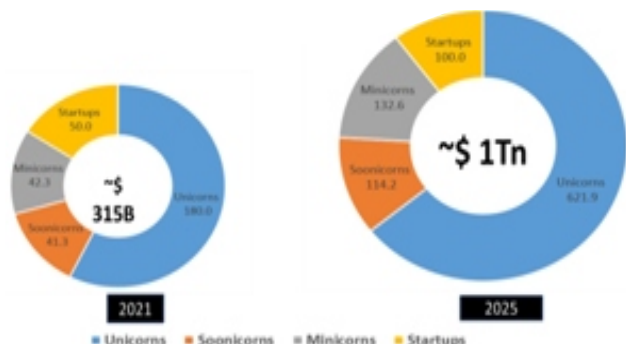
-  **2nd Largest internet base in the world** 2020: 696 mn+ 2025E: 1000 mn+
-  **Growing number of online shoppers** FY21: 44bn FY25E: 119 bn
-  **One of the largest smartphone base** 600 mn+ users
-  **Exponential growth in digital payments** ~30% of retail transactions

India a Unicorn in the start-up world

Start-ups are the wild card in India's pack of cards. After having over 23 unicorns in the 5 years from 2015 - 2020, the number has crossed 100 in the beginning of 2022. Start-up

economy has the potential to create outsized returns in terms of employment, businesses and generationally transform lives and the country.

Value being created by Indian Startups !!



"The Startup Ecosystem will help create a USD 10 Trillion economy in India"

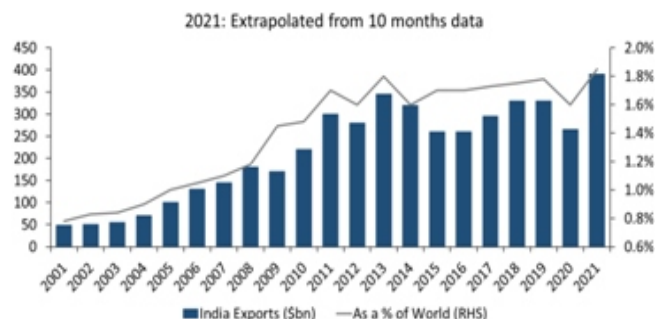
Unique geo-political positioning

Amid the Russia-Ukraine conflict and ongoing Covid-19 pandemic, India has made sustained progress in pivoting itself as a strategic player in international politics and counterweight to China. In the past couple of months, the nation has pressed upon its strong bilateral relationships with Russia, Australia, Japan, and U.S. to pursue opportunities. India is becoming integral part of the Quad. Russia has favoured India for playing the role of a mediator and offered it access to cheaper oil. In 2022, India has inked free-trade deals with UAE, U.K. and Australia to promote exports and obtain greater market access, and more FTA's are on the horizon. India has learnt the art of keep it's interest above all else.

Transformation to Manufacturing Hub

The China + 1 theme, which began as temporary shift due to pollution induced supply chain disruption has gradually become a flywheel. When China began to cut down on manufacturing, originally for pollution and eventually when world buyers began to look for alternate suppliers particularly after Covid, India emerged as a leading destination to supply goods. China is more than willing to cede space in many

commodities at the lower end, While India is advocating "Make in India". The PLI schemes have been well timed, helping Indian manufacturers seize the opportunity and become reliable suppliers.



India is gaining share in world exports. Manufacturing exports have crossed \$400 billion, with "China Plus One" potentially a \$1 trillion opportunity, suggesting a path to structural growth.

Stock markets supply absorption

FII selling has been relentless since April of 2021, this has further accelerated since the Jackson Hole tapering news flowed in. This has been fantastically mitigated by DII's and even resulting in the FM to famously complimenting the role of the retail participation. This is not to pass a judgment on who is right or wrong in buying or selling. This is just testament to the fact that Indian market can absorb large outflows. This will encourage FIIs to allocate more to India as we have demonstrated an ability to give orderly exit in tough times.

Current selling is the highest absolute selling (\$28bn, almost 2x of GFC selling of \$15bn). It is the one of the longest stretches of selling (almost 13 months v/s GFC which was 15 months). It is very close to being the highest in terms of percentage of India's market cap. It will soon reach highest in terms of % of FII holdings. For this kind of selling, impact on equities has been the quite minimal (Refer table).

Start Date	End date	Event Tag	FII Outflows (\$ bn)	India Market cap at start of outflows (\$ trillion)	FII Holdings at start of Outflows (\$ bn)	FII Outflows		NIFTY Index	NSEMCAP Index
						As % of India Market cap	as % of FII Holdings	NIFTY Returns	Midcap 100 returns
Jan-08	Mar-09	Global Financial Crisis	-15	1.8	296	0.9%	5.2%	-57%	-67%
Jun-13	Sep-13	Taper-Tantrum	-4	1.1	204	0.4%	2.0%	-9%	-15%
Sep-14	Oct-14	Election correction	-1	1.6	302	0.1%	0.4%	-5%	-5%
Apr-15	Feb-16	Banks' Asset cleanup	-8	1.6	320	0.5%	2.5%	-17%	-10%
Oct-16	Jan-17	Fed Hikes/ Demonetization	-5	1.7	335	0.3%	1.6%	-3%	-5%
Aug-17	Oct-17	Cyclical Slowdown	-4	2.1	414	0.2%	1.1%	2%	3%
Feb-18	Nov-18	NBFC Crisis	-9	2.4	455	0.4%	1.9%	-2%	-11%
Jun-19	Sep-19	Slowdown	-5	2.2	427	0.2%	1.2%	-8%	-13%
Feb-20	May-20	Onset of Covid-19	-9	2.1	430	0.4%	2.0%	-23%	-28%
Oct-21	Jun-22	Current	-28	3.5	665	0.8%	4.2%	-7%	-9%

Source: Bloomberg Intelligence

India's household investments in equities remains very low, at 7% of financial assets vs. an average 30% for other major emerging markets, leaving considerable runway for more allocations. While it is common lore about how retail investors have saved the equity market and how the equity culture is rising in India, what is relatively lesser known is how under owned India is even internationally. If you were to see the allocations of the long-term patient capital to India of Pension funds, Sovereign Wealth Funds and Endowment Funds, allocations are very small. As India's growth view is sustained and improves, there should be opportunities for increased portfolio weighting.



INDIA'S UNIQUE GEO-STRATEGIC ALIGNMENT, MARKET STRUCTURE, VIBRANT DEMOCRACY, POLITICAL STABILITY, AND LARGE CONSUMER MARKET DO NOT JUSTIFY A CLASSIFICATION ALONG WITH OTHER EM MARKETS.



Source: Bloomberg Intelligence

All these above “antifragile” measures do not guarantee that India will escape mildly from the next correction or drawdown. However, it does suggest that our shock absorbing capacity has increased, and we are likely to bounce back stronger from any crisis the world throws at us. India’s unique geo-strategic alignment, market structure, vibrant democracy, political stability, and large consumer market do not justify a classification along with other EM markets. **India is well and truly on its way to carving its own niche and becoming Antifragile.**

Ravi has an MBA in Finance from McCallum Business School, which is part of the Bentley University in USA. He returned from the US after a brief internship stint at Salomon Smith Barney. He has been associated with the Indian stock markets for over 23 years. After graduating, he worked his way up through the stock market business, spending four years at RARE Enterprises, where he was involved with research, private equity deals and value creation activities before moving to ValueQuest and taking charge of research. RARE Enterprises is the private family office of one of the most premier Investors of India, Mr. Rakesh Jhunjhunwala

He is Founder, MD & CIO of ValueQuest Investment Advisors. ValueQuest manages AUM of 4000crs+ and have generated an XIRR of over 23% over the past 10 years. According to study done by PMS AIF World, it has been ranked recently as one of the top PMS firms in 10+ year performance category. He is managing VQ Platinum scheme, which has recently been awarded 5-star PMS rating by PMS Bazaar powered by CRISIL, which is the highest possible rating. VQ caters to HNI, Super HNI's, Family offices and Foreign Institutions.



INNOVATION IN DEVELOPING AND LESS DEVELOPED COUNTRIES: AN OVERVIEW

Professor Piya Mahtaney
Economist/ Author

Introduction

Interestingly Winston Churchill famously observed that “the longer you can look back, the farther you can look forward.” This is an observation that resonates in the present scenario which is a culmination of priorities and considerations that have been pursued for the preceding few decades and need to be reappraised at the present juncture. According to the **IMF economic outlook (April 2022)**, “Multilateral efforts to respond to the humanitarian crisis, prevent further economic fragmentation, maintain global liquidity, manage debt distress, tackle climate change, and end the pandemic remain essential. The adverse consequences from the current geopolitical conflict are a reminder of the importance of global cooperation. This extends from addressing the immediate needs of war refugees to the eventual great effort to rebuild Ukraine....”

The world finds itself on the cusp of a tectonic shift defined at its core by a fundamental structural imperative- the exigency of transitioning to a sustainable economic future.

The crux really is adopting business models that are based on long term value creation rather than short term gain. There are of course many aspects to this subject and in this article, it would be useful to focus on the integral facet of innovation in the larger context of economic development. Assessments that are focussed mainly on the short term as has been the case for over three decades have conditioned innovation and even as we can laud the innovative activity that has occurred the imminent question that arises is whether there could have much more that could have been done to address and for that matter even avert the challenges that the world has been confronted with as well as those which are emerging.

Innovation and Economic Development

Recall a muchcited proverb-Necessity is the mother of invention. The significance of what it conveys is amplified in the present global economy where imperatives, trade-offs and all its ramification define the urgency of stepping up innovation. In a conventional and narrow sense innovative activity is often understood as a new ‘improved’ version of existent equipment or a new technique of production. Innovation is this and much more and it is thus important that it is viewed from a broader and multidimensional perspective.

One of the most commonly used definitions of innovation is by Josef Schumpeter’s who says that innovation is a new

process or technology in an industry, the discovery of a new market, development of new sources of inputs and raw materials and changes in industrial organization.



ONE OF THE MOST COMMONLY USED DEFINITIONS OF INNOVATION IS BY JOSEF SCHUMPETER’S WHO SAYS THAT INNOVATION IS A NEW PROCESS OR TECHNOLOGY IN AN INDUSTRY, THE DISCOVERY OF A NEW MARKET, DEVELOPMENT OF NEW SOURCES OF INPUTS AND RAW MATERIALS AND CHANGES IN INDUSTRIAL ORGANIZATION.



This rather inclusive description of what innovation encompasses is indicative of a basic fact that invention is an important but not the only constituent of innovation. Innovative activity is a wider expanse that has within its purview commercial applications of new technology, the adaptation of existent technologies, the use of new methods and processes, new managerial and organizational practices or business models. However, the pursuits of a course that is more applicable to those countries which are close to the global technological frontier or have achieved a position on it have obscured the other aspects of innovation that are more relevant and suited to the prevalent constraints in developing and underdeveloped countries. As has been explained in the previous two chapters the course of technological advancement has been aligned largely with the requirements and constraints of an industrialized nation where the agricultural sector does not account for a significant share of the GDP. In most developing countries the agricultural sector and for that matter the rural economy, the informal sector and small-scale industry which accounts for a fair share of the GDP

and employment provision have been largely excluded from the purview of innovative strategies.

As a matter of fact, even the course of technical upgradation pursued by the industrial sector across most developing countries is starkly unsuited given the constraints and inherent strengths of smaller enterprises. In effect thus the ecosystem of innovation as it has evolved so far is inappropriate for the poorest nations and excludes the imperatives and constraints of the non industrial sector. Given that the potential for innovation increases the further away a country is from the technological frontier, theoretically this would imply increasing levels of investment and higher returns from the same in developing and less developing nation. However, the ground reality sharply contrasts with this presumption, a fact that has been termed as the innovation paradox.

As a matter of fact, the fundamental of creating an ecosystem of innovation system is capability building, and in the absence of this an entire gamut of innovation opportunities remains untapped. Thus, for a larger proportion of poorer countries the pursuit of innovation so far has not been inclusive. Notably the lack of innovation in poorer nations is not the outcome of merely a deficiency in R&D but is the inevitable consequence of those constraints that arise from underdevelopment.

It is the basis and structure underlying knowledge accumulation that would have a significant role in determining the outcomes of increased investment towards R&D. Therefore, to assume that an increase in the outlay on R&D or the acquisition of a new to market technology would automatically kick-start a consistent process of knowledge accumulation is unrealistic. Drawing upon the main propositions of the empirical work about the subject it becomes important to understand more about the link between knowledge accumulation, capability building and innovation.

If one were to view economic transformation in the simplest and perhaps rudimentary way it can be described as a process of catch up which basically means narrowing the GDP gap between the developing and developed countries. The concept of catch up is a multidimensional one because it encompasses myriad processes and a track of consistent structural change. Is there a single model of catch up? No. The empirics of growth and development over the precedent two to three centuries is an unmistakable pointer to the fact that the trajectory of economic progress is shaped by the initial circumstances and endowments that a country has. This aspect also differentiates the economic experience of advanced countries particularly during the nineteenth century from that of developing nations in twentieth century so for instance East Asia's route to economic progress was dissimilar to the growth experiences of U.K, U.S, Germany and other nations of Europe. That said, cutting through the

heterogeneity of economic experience is a commonality - the centrality of the role played by the linkage between knowledge accumulation, capability building and technological progress.

Viewing innovation largely from the perspective of the advanced nations meant almost excluding an entire gamut of innovative activity that can occur in countries that are shackled by constraints of underdevelopment. The bottom of the pyramid or the tier 4 category of the world's population comprising of those with low to extremely low incomes marginalized and enmeshed by poverty was about 4 billion almost two decades ago. At this point when C.K Prahalad approached innovation from the prism of the underserved and the excluded, in his article in the journal of strategy and business (2002) he says, `` This is a time for MNCs to look at globalization strategies through a new lens of inclusive capitalism. For companies with the resources and persistence to compete at the bottom of the world economic pyramid, the prospective rewards include growth, profits, and incalculable contributions to humankind. Furthermore, MNC investment at "the bottom of the pyramid" means lifting billions of people out of poverty and desperation, averting the social decay, political chaos, terrorism, and environmental meltdown that is certain to continue if the gap between rich and poor countries continues to widen.

The Innovation or knowledge divide can be described as a spectrum which has at one end nations that are characterized by a underdevelopment wherein building a minimum level of absorptive capacity is prerequisite for the diffusion and assimilation of any technology and at the other are nations that are developed and where investments in R&D are a critical factor in enabling these to expand their knowledge base beyond the domain of national specialization. The larger number of nations are straddled between these two ends. Absorptive capacity is the cumulative outcome of a dynamic process which is facilitated by the interrelationship between sources of external knowledge, a country's capability to assimilate this knowledge and the R&D investment outlays by a country.

Although the potential for innovation maybe tremendous in developing and less developed countries the ground reality is the stark deficit of investment ploughed towards almost every constituent of innovation (a probable exception to this being China). Simple logic tells us that the farther away that a country is from the technological frontier the higher the potential returns on investment (in particular R&D) Sound theoretically, except that in a developing and less developed country there are impediments that prevent this potential from being realized. Understanding what deters innovative activity despite the potentially higher returns on R&D that would accrue to countries further away from the technological frontier would shed more insight on the dynamics of catch up or economic convergence.

The distance of a country from the global technological frontier is useful not because it is a gauge of a nation's innovative potential but because it is a fair indicator of the kind of knowledge accumulation strategies that should be pursued or more precisely which sources of knowledge will be important and these will vary in accordance to the level of development that a country is at.



THE RECENT INITIATIVES TO USE TO METHODS AND TOOLS THAT WOULD SERVE AS BETTER INDICATORS OF THOSE ASPECTS OF INNOVATION THAT WERE EITHER NOT MEASURED ADEQUATELY OR NOT ACCOUNTED FOR AT ALL IN ADVANCED NATIONS WOULD ALSO HELP IN OBTAINING BETTER EVALUATIONS OF INNOVATIVE ACTIVITY IN DEVELOPING AND LESS DEVELOPING NATION.



The fact that developing countries continue to invest too little in innovation is indicative that the risks associated with doing so may at least in the initial stages of development outweigh the returns. An important empirical finding cited by is that **although** the rate of return on R&D investment increases the larger the distance of a country is from the technological frontier this may not apply to countries are at very low levels of development. Documenting an inverted U pattern for returns to R&D which depict negative rates of return for countries that are very distant from the technological frontier a study by Goni and Maloney estimated that the "highest rates of return accrue to countries of a level of distance from the frontier corresponding to modern day" (1996-2000) Brazil, Chile, Hungary, Mexico, Poland and Venezuela. Furthermore, returns decline to 30-50% of the peak for Thailand, Peru and Romania, and would probably be negative for countries at Ecuador, Egypt and Indonesia's income. The observation by Goni and Maloney which is based on a global panel of R&D expenditure spanning 40 years and pertinent to 75 countries provides a further corroboration of similar findings by earlier studies, thus for countries which have much lower incomes than say Argentina and Chile increasing investment in R&D would produce much lesser returns than theory envisions and in

certain instances may even be negative given the lack of complementary factors such as a reasonably well functioning capital market the availability of a some managerial and technical capabilities. In the absence of these complementary inputs which is the case in situations of extreme underdevelopment the acquisition of advanced technology or investment in R&D is veritably futile. Explaining this point Maloney says, "Poor countries lack the high-level human capital, research infrastructure, and a sophisticated private sector that could both exploit knowledge transfer and provide feedback to the RD process, as well as generally weaker investment climates that depresses overall profitability. The results suggest that for middle income countries, a great window of opportunity exists, and a strong effort to lift the quality and magnitude of R&D spending is merited. However, with poorer countries, focus on R&D spending alone is likely to yield poor results.

Conclusion

The recent initiatives to use to methods and tools that would serve as better indicators of those aspects of innovation that were either not measured adequately or not accounted for at all in advanced nations would also help in obtaining better evaluations of innovative activity in developing and less developing nation. Explaining this the study says, 'First, existing approaches tend to be R&D-centric and do not fully recognize the importance of non-technological innovation, which is more prevalent in developing countries. Frameworks that consider innovation capabilities more broadly can considerably enrich existing measurement models.

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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 and 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.



TRANSPARENCY & TRACKABILITY IN POST-TRADE

Amrita Divay
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SWIFT

Significant changes in consumer behavior were witnessed during the pandemic period, with employees adapting to working from home and customers spending increasing amounts of time on online shopping in front of their computer screens. With limited access to physical outlets and stores due to lockdowns, consumers progressively turned to the digital world for delivery of everything from groceries to e-learning.

The consumer expectation for frictionless, faster and - at times - instant service delivery, has been at the centre of this disruption and the logistics world has had to upgrade rapidly to cope with expectations of predictable and time-bound delivery. This predictability has been enabled through automation and digitization of supply chains, that are today transparent and traceable throughout the journey of the product, from the warehouse or place of production to the customer's location. From packages to pizzas, today we can track the status of almost anything we order. This transparency allows the customer to avoid surprises, quickly address any issues that arise, and provides peace of mind that things are in hand.

At the same time, work from home and abundant liquidity encouraged a large number of people to invest in the securities markets. Covid-19 has given a boost to electronic trading and further improved access through digital services for retail investors. Smooth and easy access to stock markets because of technology, through digital trading apps, e-KYC and Aadhar e-signing have helped the retail investor community grow significantly. More dematerialised accounts have been opened in the past couple years than ever before.

A number of changes have also been introduced by the regulator in the past few years to enhance market competitiveness and depth of the markets. One of the most significant changes has been the move to shorten the settlement cycle from the existing T+2 to T+1 in a phased manner. With this change, India has become one of the first few markets in the world to adopt a T+1 settlement cycle. It is expected that this change will lead to faster turnaround of trades and an increase in volumes. However, this change may also entail changes to technology ecosystems and will require development efforts from all players in the securities lifecycle.

Any changes to the settlement cycle would imply a change to confirmation deadlines, processing of contract notes by

brokers and processing of trades by the market infrastructures such as clearing corporations and depositories. The timelines for processing of trade allocations and settlement instructions by Foreign Portfolio Investors (FPI) to their Indian custodians may have to be modified to accommodate the changed settlement cycle. With many processes still fragmented and manual, post trade processing by market intermediaries can be challenging and more so, in case of shorter timelines.



PILOT PROJECTS ON THE UTI ARE ALREADY UNDERWAY IN OTHER PARTS OF THE WORLD, AND IT WOULD BE WORTHWHILE CONSIDERING ITS ADOPTION TO PROMOTE GREATER EFFICIENCY IN THE POST TRADE PROCESSES IN THE INDIAN SECURITIES MARKET.



Currently, investors, especially institutional ones, have no way to uniquely identify and track an individual transaction across all the intermediaries in the securities lifecycle, which becomes a post-trade blackhole. Firms may be able to monitor a trade once it has been confirmed or settled, but they have little information while the post-trade process is in-flight. This means end-to-end visibility on the whole lifecycle is extremely challenging and management of any hotspots of operational risk is difficult. This could mean delays, especially for FPIs.

In case a trade is not confirmed by a custodian, it would devolve on the broker and get converted into a hand delivery trade, increasing costs for intermediaries and investors, alike. Currently, approximately less than 1% of institutional trades are hand delivered, however, this percentage may change going forward. Thus, there appears to be a need to have some degree of transparency and trackability to the post trade lifecycle.

Building on our example of the logistics industry earlier, what if we introduced an identifier to the trade, so that the same level of transparency and trackability would be possible in securities markets?

Enter the Unique Transaction Identifier

The Unique Transaction Identifier (UTI) is an existing, industry-recognised standard – the ISO 23897:2020.

The UTI identifies a securities transaction obligation between a buyer and seller that is allocated to settlement accounts with Synchronous Serial Interface (SSI) data, an agreed instrument, and quantities. The UTI is not intended to replace the existing transaction references that firms use today. Instead, it will provide a transaction-linking reference that everyone in the transaction chain can use to unify the process.

Industry-wide adoption of the UTI would help to reduce risk and improve the client experience across the full trade lifecycle, regardless of the technology platform a firm is using. Although implementing the UTI will require an upfront investment on the part of market participants, it is a key enabler to reduce cost and risk in the short and long-term.

Generation of the UTI for a settlement transaction occurs as part of the trade allocation / confirmation process between a buyer and seller via:

1. Central generation by trade venues / matching platforms / market infrastructures
2. Instructing party generation who communicates the value to their counterparty

The Depository Trust & Clearing Corporation (DTCC), SWIFT and Hong Kong Stock Exchange are some of the market participants working together to support the introduction of the UTI.

As key players in the ecosystem, central depositories (CSDs) can use the UTI to propagate transaction information much quicker across systems in the processing chain to increase settlement efficiency through early visibility. By adopting the UTI, CSDs will facilitate processes such as forecasting, claims management and pre-validation of data and also potentially can be used to improve the regulatory reporting. In addition, the UTI can greatly improve cross-CSD settlement and cross-markets interoperability.

So how does UTI benefit the Securities community?

Both the sell-side and the buy-side stand to gain from the adoption of the UTI.

1. Transparency, Trackability of securities transactions

With a common identifier such as the UTI, market participants and intermediaries across the securities lifecycle should be able to track the transaction from trade execution to settlement, regardless of the technology

platforms used. Because of the transparency in the lifecycle, any potential issues or bottlenecks could be resolved faster.

2. Improved Client Services

Having a unique identifier makes the job of intermediary easier and could possibly improve the quality of service offered to the customer. Having transaction information at their disposal, will enable the intermediary to be able to answer client queries about clearing and settlement faster. On the other side of the equation, asset manager clients will have more timely access to information about the post-trade lifecycle, which will allow them to better mitigate risk across their portfolio.

3. Lowering of operational risk and cost

Fund managers or intermediaries that are active in the European Union must comply with CSD Regulations, which impose large penalties for settlement fails. This increases compliance costs and the financial impact of settlement failures. A unique identifier will help firms to avoid these fines by enabling issues to be resolved proactively and, if fines do occur, enable firms to accurately attribute those fines and fees to the relevant party in the transaction chain.

4. Digital Transformation & Data Standards

Consistent and transparent data is the foundation of all technology platforms. Standardised data enables interoperability of platforms and greater efficiency across the ecosystem. A standardised identifier will bridge legacy and new generation technology environment, thus enabling easier adoption of newer technology tools and solutions.

Conclusion

In the same way that unique trackers have transformed logistics across the globe, enabling products and services to be delivered in a consistent and time bound manner, the securities industry also stands to benefit from the adoption of the UTI. Pilot projects are already underway in other parts of the world, and it would be worthwhile considering its adoption to promote greater efficiency in the post trade processes in the Indian Securities market.

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Previously, she headed the business development and marketing function at SBI-SG Global Securities Services (JV between State Bank of India and Société Générale Securities Services) and has also worked with HSBC and Deutsche Bank in various capacities.

She has completed her Advanced Management Program from Indian Institute of Management, Bangalore and holds a PGDBM with a specialisation in Marketing from K J Somaiya Institute of Management Studies & Research.



UNLEASHING THE POWER OF INTELLIGENT DOCUMENT PROCESSING IN FINANCIAL SECTOR

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Preliminaries

Document processing with one of the first deep learning models - the convolutional neural network (CNN) - was originally developed in 1990s for banks to automatically process checks and for post offices to automate the processing of handwritten mailing addresses. The discipline has progressed due to its early venture into OCR-based approaches. Today, document processing typically relies on multiple, synergistic machine learning techniques to read a document, extract its relevant fields, and perform intelligent processing on top of that. These systems are grounded in computer vision and natural language processing techniques that are used to grab visual information from the document and ensure that it's parsed correctly. While OCR is notorious for transcription errors, intelligent document processing, which is AI-driven, starts at higher accuracy, and will improve over time.

Intelligent Document Processing (IDP) solutions transform unstructured and semi-structured information into usable structured data. Business data is at the heart of digital transformation; unfortunately, 80% of all business data is embedded in unstructured formats like business documents, emails, images and PDF documents. AI technologies such as natural language processing (NLP), Computer Vision, deep learning and machine learning (ML) are used to classify, categorize, and extract relevant information, and validate the extracted data. Intelligent Document Processing leverages automation tools such as RPA to collect, extract data, and generate documents. Approx. 80-90% of enterprise data and documents are unstructured and require the integration of different technologies to turn it into a machine-readable format. Everest Group cites the key drivers behind the growth of IDP:

- Rising need to process large volumes of semi-structured and unstructured documents with greater accuracy and speed.
- Increased adoption of complementary technology solutions, such as RPA
- Demand among enterprises to enable end-to-end process automation with integrated RPA and IDP.
- Improved sophistication of AI technologies powering IDP solutions, which significantly increases the accuracy rates in processing documents compared to traditional OCR.

The global Intelligent Document Processing market size is expected to grow from USD 0.8 billion in 2021 to USD 3.7 billion in 2026, at a Compound Annual Growth Rate (CAGR) of 36.8% during the forecast period.



BUSINESSES THAT DON'T WANT THE HASSLE OF CREATING THEIR OWN AI DEVELOPMENT TEAMS AND TRAINING THEIR OWN MODELS, NOW HAVE ACCESS TO PREBUILT DOCUMENT PROCESSING SERVICES. THE MAJOR PLAYERS IN THIS AREA INCLUDE GOOGLE'S NATURAL LANGUAGE CLOUD AI AND AWS COMPREHEND. THESE DOCUMENT SERVICES CAN BE QUERIED TO PERFORM COMMON NLP TASKS SUCH AS SENTIMENT ANALYSIS, LANGUAGE MODELING, DOCUMENT UNDERSTANDING, TEXT ANNOTATION, AND MORE.



Pillars of Intelligent Document Processing

When it comes to processing documents in a new, smart way, it all heavily relies on cornerstones: Machine Learning, Optical Character Recognition, Robotic Process Automation and Document Processing APIs. To better understand how the magic happens, OCR can be perceived as the "eyes," Machine Learning as the "brain," and RPA as the "arms and legs."

Optical Character Recognition (OCR)

OCR is a narrowly focused technology that can recognize handwritten, typed, or printed text within scanned images and convert it into a machine-readable format. Whereas, OCR segment is further divided into:

- Desktop-based OCR includes software solutions that are compatible with desktop computers.
- Mobile-based OCR software allows users of mobile devices such as tablets, mobile phones, and others, to scan files or documents with just a tap.
- Cloud-based OCR software allows image capture and document conversion on the cloud through web APIs and hosted services.

As a standalone solution, OCR simply “sees” what’s there on a document and pulls out the textual part of the image, but it doesn’t understand the meanings or context. That’s why the “brain” is needed.

Machine Learning (ML)

ML is a field of knowledge that focuses on creating algorithms and training models on data so that they can process new data inputs and make decisions by themselves. IDP heavily relies on such ML-driven technologies as

- **Computer Vision (CV)** that utilizes deep neural networks for image recognition. It identifies patterns in visual data - document scans - and classifies them accordingly. New computer vision model architectures have allowed smarter extractions of fields from forms and other structured documents. Artificial Recurrent Neural Network (RNN) architecture long short-term memory (LSTM) can be trained to predict form boundaries. These days, multimodal transformer architectures can extract document text and images while learning the document layout in a single step. This has led to orders-of-magnitude improvements in document understanding and allowed for the processing of media-rich documents of all forms and functions.
- **Natural Language Processing (NLP)** that finds language elements such as separate sentences, words, symbols, etc., in documents, interprets them, and performs a linguistic-based document summary. NLP is often used to clean up the text that comes out of the OCR step of the pipeline. This approach typically employs techniques such as edit distance and language modeling, both of which can be used to predict the correct word in a given context. Recent developments have allowed the creation of language models such as BERT, GPT-3, and XLNet, which make predictions with humanlike accuracy.

Robotic Process Automation (RPA)

RPA is designed to perform repetitive business tasks through the use of software bots (robots). The technology has proved to be effective in working with data presented in a structured format. RPA software can be configured to capture information from certain sources, process and manipulate data, and communicate with other systems. Since RPA bots are usually rule-based, if there are any changes in the structure of the input, they won’t be able to

perform a task. So relation-wise, most IDP solutions are built on top of the RPA platforms involving the use of the OCR technology at different stages of the document processing cycle. As a result, document-driven operations can be automated end to end. Intelligent RPA has following use cases in a low-code/no-code way: (i) Extract Data with Template from any kind of document type. (ii) Extract Data with pre-trained models from ERP for supplier invoice, payment advice note, and purchase order. (iii) Fetch plain text (OCR) from unstructured documents of any type and apply custom post-processing to it.

Document Processing APIs

Businesses that don’t want the hassle of creating their own AI development teams and training their own models, now have access to prebuilt document processing services. The major players in this area include Google’s Natural Language Cloud AI and AWS Comprehend. These document services can be queried to perform common NLP tasks such as sentiment analysis, language modeling, document understanding, text annotation, and more. The OCR piece of the pipeline can be handled via these companies’ corresponding computer vision APIs. There are also many up-and-coming competitors in this field that offer their own API-based solutions. Finally, businesses that are willing to put in some development work will find thousands of pre-trained and pre-coded models available for download via open-source repositories on GitHub. This means any company can get up and running with basic AI-based document processing in a matter of days or weeks, for little cost.

IDP Workflow

Following are the key steps in the IDP workflow:

Document collection

Document collection is the set of actions referring to gathering different types of either paper or electronic documents from multiple content sources. At this stage, IDP solutions integrate with hardware like scanners to digitize paper/handwritten documents and speed up the scanning processes. Docs presented in digital forms, including PDF, Word, and Excel files, emails, etc., are also ingested via built-in integrations.

Document pre-processing

Where there is data extraction, there is OCR. As a document is ingested into a document processing solution, it goes through the first phase of document pre-processing in IDP workflow. The overall accuracy of OCR depends on how accurately it can identify/distinguish a character/word from the background. Some of the basic techniques employed in this phase are:

- a) **Binarization** - Binarization is the technique to convert a colored image into a black and white pixels. Now, the image consists of only 2 kinds of pixels - black pixel value

- = 0 & white pixel value = 256. The aim to create a binary and distinction between the characters to be read in a text file (black pixels) and background (white pixels)
- b) Deskewing - While scanning a document, the scanned image might be slightly aligned horizontally, which is not ideal for OCR. Techniques such as Projection profile method, Hough transformation method, and Topline method are used for skew correction.
 - c) Noise removal - The aim of this step is to get rid of any unwanted small dots/patches so that OCR doesn't confuse these dots with characters.



ANY DOCUMENT FLAGGED RED IS REVIEWED BY A HUMAN-IN-THE-LOOP. THIS IS ESPECIALLY HELPFUL IN THE SUPERVISED LEARNING OF THE MODEL AND IMPROVING THE ACCURACY OF THE MODEL. THE MORE DOCUMENTS ARE PROCESSED AND REVIEWED, THE MORE IMPROVES THE ACCURACY OF THE DATA EXTRACTION MODEL.



Document classification

Document classification happens in 3 steps:

- a) Identify the format - Figure out whether the file is a pdf document, JPG, PNG, TIFF, or any other file format.
- b) Identify the structure - The OCR solution tries to differentiate amongst structured, semi-structured, and unstructured documents. Structured documents have a fixed template and layout, whereas semi-structured documents have some form of structure in it that means they may contain similar information at different locations in the document. An invoice is a great example of semi-structured documents - vendor's address in different invoices can be at different places. To make sense of these values, the document processing solution should have some kind of contextual understanding of data and the document. Unstructured documents have hardly any structure yet organizations need to extract data from them for various purposes. In an unstructured document, sometimes certain values may not have any key assigned to them - such as dates or email addresses may be there on documents but without any key identifier such as "Date" or "Email". A contract is a good example of an unstructured document.
- c) Identify the document type - The third step of document classification is trying to figure out the document type,

that is, to find out whether the ingested document is an invoice, bank statement, t12 statement, shipping label, or any other document. The ability to identify a document type successfully and queue it for data extraction depends on the data already fed into the IDP solution.

Data extraction

There are mostly two parts of data extraction: (i) Key-value pair extraction - Extracting the values assigned to unique key identifiers in a documents (ii) Table extraction - Extracting line items arranged in a table form. There are certain ways to do it:-

- a) OCR - OCR is the first step of data extraction. As essential as this step is, there are certain errors that can happen during OCR:
 - Error in word detection - Failing to detect a text block in the image, an error commonly caused because of the poor image quality.
 - Error in word segmentation - Interpreting a word incorrectly, due to wrong inter-word space detection, different text alignments, and spacing.
 - Error in character segmentation - Unable to detect single characters in a segmented word. This is frequent for cursive or connected alphabets.
 - Error in character recognition - Failing to identify the right character in a bounded character image.

These errors could be rectified by dictionary look-up, k-mer, and n-gram language models.

- b) Rule based extraction - Rule based models work well for structured and semi-structured documents. These models can identify key-value pairs/line items by taking a position reference in a document. Named-entity recognition approach and n-gram model come handy in identifying a value assigned to a key identifier. For example, no matter the position of invoice number in an invoice, a set of strings next to "Invoice Number" or "Invoice No" is the value the model is looking for.
- c) Learning based approach - Deep learning, NLP tools and ML-based OCR-hybrid data extraction techniques need supervised/unsupervised learning to train their models on. The efficiency of these models are determined by the accuracy rate and confidence score. With the increasing number of documents processed and the amount of training and feedback provided, the model grows in accuracy.

Data validation

This step is crucial in detecting the inaccuracies of the extracted data. Certain data validation rules are applied within the document so that any inaccuracy could be detected and flagged for correction. For example, the 'total amount payable' in an invoice should be a sum of 'subtotal' and 'tax payable'. If there's any discrepancy between two, the invoice gets flagged and held for review.

Human review

Any document flagged red is reviewed by a human-in-the-loop. This is especially helpful in the supervised learning of the model and improving the accuracy of the model. The more documents are processed and reviewed, the more improves the accuracy of the data extraction model. Once the data is extracted and cleaned up, the software can push to the database or export it in multiple formats. IDP workflows let users convert documents into different formats such as JSON, XML, PDF, etc.

IDP use cases in Finance and Banking

Since IDP combines the features of AI, RPA, and OCR, it is a great candidate for automating numerous tasks across the finance department, such as: Customer on boarding, Invoice automation, Credit scoring, Financial reporting (daily, monthly, annual), Reconciliation automation, Journal automation, Customer risk profiling, Cheque image processing, Fraud detection, Account opening and closing, Refund processing, Compliance automation. RPA bots are taught to follow prescribed protocols and procedures with precision, enabling increased compliance and cost efficiencies. Therefore, IDP can handle:

Account Payable (AP) and Accounts Receivable (AR) Automation

RPA bots can automate most of the accounting tasks, such as accounts payable and receivable because they include repetitive tasks, such as:

- Managing outgoing documents: Auto generating invoices and orders to be sent out. Offers received from suppliers can be used to generate orders. Customer contracts can be used to generate invoices.
- Managing incoming documents : Extracting data from invoices or orders received from suppliers and customers in numerous different formats, Matching invoices to purchase orders, Matching orders to offers, Invoice routing for approvals, Invoice filling and retrieval, Processing payments

A manufacturing company used ARGOS Low-code/RPA to reduce 180 hours/month of invoice processing and 500 hours/month of monthly reporting.

Financial Controls

RPA bots produce dependable data because they follow standard procedure and do not skip steps by accident so they reduce compliance issues in automated processes. RPA bots can also be used to aggregate compliance related data from various sources into a single system. Using this aggregated data, the finance function can implement necessary monitoring and alerting functionality to identify oversights and errors in a timely manner.

IBM's RPA solution enabled Credigy, a global finance company to:

- Process account-based documents by email, media download, or other types of automation and automatically load documents into an internal system that users can easily access by account.
- Forward suspicious emails for URL scanning and alert users if URLs appear malicious
- Support compliance by automatically downloading updates from a variety of sites and loading data into specific tables for review.
- Automate IT audits including password strength tests. If a user's password fails a strength test performed by the robot, the user receives an email requesting a password update that complies with password rules.

Report Automation

Combining RPA with Natural Language Processing (NLP) modules from RPA marketplaces, reporting activities can be at least partially automated. Examples include:

- Investor reporting such as annual reports etc.
- Regulatory reporting (e.g. for tax purposes including income tax). This is especially useful since regulatory reporting errors can be costly from a reputational and financial perspective and increased automation can reduce errors. One of the procedures that could benefit from automation is the record-to-report (R2R) process that happens in the aftermath of financial close.

Redwood's R2R automation solution automates and orchestrates all the phases in the financial close process. The solution can be used on top of existing ERP systems. It leverages orchestration and RPA to automate periodic processes, such as journal entry and balance reconciliations, for the preparation and reporting of accurate financial documents. These documents are then used by investors and high-level executives for understanding the financial health and performance of the company.

Financial Planning

Financial planning requires

- Forecasting: Analysing latest financial trends in the business and researching the market to build accurate forecasts
- Comparing results vs plans: Forecasts need to be compared with actuals to improve future forecasting accuracy and to measure the performance of the business and identify improvement points. This activity involves loading accounting balances (i.e. difference between the sum of debit entries and the sum of credit entries) into financial planning systems and creating variance reports. These variance reports compare actual results with forecasts in detail.

Both activities involve gathering data inputs, formatting the data and aggregating them in an easy-to-understand format for all stakeholders. This is a great match for RPA bots' capabilities. RPA in financial planning allows businesses to provide forecasts at a faster rate and constantly have an

updated view of the latest capital expenditures, investments, and financial statements.



WITH THE USE OF INTELLIGENT DOCUMENT PROCESSING, THE TIME-CONSUMING, MONOTONOUS, AND TEDIOUS PROCESS IS MADE SIMPLER WITHOUT ANY RISKS OF MANUAL ERRORS.



IDP use cases in Insurance

Claims forms are a menace for Insurance companies to tackle. These are paper forms signed by claimants. Insurance officers need to verify the claim against the policy documents for coverage and eligibility. This is applicable for all type of insurance. Supporting documents like invoices and receipts are also required to be verified. IDP is very useful in the Insurance industry with documents varying from Life insurance applications, Auto accident claims, Disability forms, Change of beneficiary forms, Annuity account forms etc. These documents are submitted by different dealers and the data extracted is used for claims processing post-approval. The following are the top RPA use cases in insurance:

Claims Registration & Processing & Fraud Detection

Claims processing is a labour-intensive process where insurers need to collect information from multiple sources. Some example sources where insurers spent time on gathering and checking information are:

- Auto insurance: Police reports of accidents, driver's licenses, and photos of damaged vehicles
- Travel insurance: Photos of damaged luggage and boarding pass
- Life insurance: Historical medical records

Processing these data sources manually makes the process dull, time-consuming and prone to errors. According to Workfusion, automated claims processing reduces manual workload by 80% and reduces the time necessary for the process by 50%. RPA bots automate the steps of claims processing: Extraction of information, Integration of claim related sources, Inputting data into the systems, Identification & verification of fraudulent claims.

Underwriting & Pricing

Insurance underwriters evaluate and analyse the risks involved in insuring people and assets. Then, they set pricing for identified risks. The underwriting process involves collecting information regarding the background of

insurable people or assets. When RPA is combined with AI and analytics, bots can collect data from external and internal sites, fill required data fields in internal systems, assess loss runs, analyse the history of customers' claims and provide pricing options based on previous results

Policy Administration & Servicing

Policy processes include rating, quoting, binding, issuing, endorsing, and renewing. A conventional policy administration software may be expensive, require high-maintenance, and not be scalable enough to meet the growing number of customers. RPA can automate transactional and administrative areas of policy activities such as accounting, settlements, risk capture, credit control, tax, and regulatory compliances.

Regulatory Compliance

The insurance industry is regulated by strict laws that aim to standardize documentation and audit trails. RPA automates those processes and ensures that data is accurate, and maintains a complete log of changes. Log files enable insurers to monitor regulatory compliance regularly through internal reviews. Some compliance processes RPA can automate are: Name screening, Compliance checking, Client research & validation of customer information, Data security operations, Generation of compliance reports.

Responding to Queries

Most industries involve the process of responding to customer and employee queries. RPA bots can interpret incoming emails, resolve simple inquiries, and when they detect complex queries, they can pass them to humans.

Conclusion

It is needless to say, the number of such documents will keep on piling up and making it impossible for many organizations to manage effectively. Organizations should be able to make use of this data for the benefit of businesses, but when it becomes so voluminous in physical documents gleaning insights from it will become even more tedious. With the use of Intelligent Document Processing, the time-consuming, monotonous, and tedious process is made simpler without any risks of manual errors. This way, data becomes more powerful even in varying formats and also helps organizations to ensure enhanced productivity and operational efficiency.

Dr Vivek Pandey is hands-on digital transformation leader with over 28 years of experience in delivering innovative, diversified technologies and solutions. As Sr VP, he is leading company's strategy to acquire and help global customers improve their digital experience by leveraging Silverline's expertise in SAP, Salesforce, MS, Analytics, Blockchain, AI/ML, Cloud and Open Technologies across industries. Currently, he is responsible for Strategy, Global Delivery, Business Development, Strategic Alliances and HR. Prior to his tenure at Silverline, he had been instrumental in building AG Technologies as CEO from startup to a global delivery organization in 18 years of association, achieved CMMI Level 5 capabilities, served the customers across India, USA, Canada, UK, Germany, UAE and Thailand. Vivek has Bachelor's Degree in Electronics Engineering, Masters in Financial Management from Mumbai University, Ph.D. in Business Administration from Pune University.



LIVING IN AN UNPREDICTABLE ENIGMATIC WORLD

Abraham Paul Vatakencherry
Global Influencer & Strategist

The entire terra firma was taken by surprise when life was brought to a grinding halt when the pandemic ravaged us more than a couple of years ago but with bated breath many still thought that normalcy could be restored in a short span of time but that was not to be. A wide array of forced adjustments where on the anvil where straight forward languid lifestyles of many where curtailed to the four walls of their home which brought a lot of insecurity which was beyond the scope of imagination of many leading to depression to many a soul. But having said that there was always a glimmer of hope that life would bounce back and would restore normalcy very soon. But contrary to expectations a lot of organizations who where labor intensive had to retrench personnel leading to lay offs and eventually downing their shutters. Like any catastrophic age, there seemed to have a terrible binding on the lives of people where they found it difficult to make ends meet. The repercussions of this daunting malady was swept across the fabric of society making many clueless on what to do next. A few weeks down the line the news spread far and wide that this pandemic was here to stay and taunt us for sometime and it clearly gave indications that it is not going to subside anytime soon. Then started the mad rush the impending vaccine which seemed to be a far cry on short notice. But then when the going gets tough the tough get going.

Certain giants in the pharmaceutical field raised their heads to fight the virgin situation which was clearly but certainly the by product of the trying situation we all where put in. Now with unheard of vigor than ever before a lot of clutter was there on to bring in a decisive solution at the shortest possible duration. The gestation period to create a viable and cost effective vaccine was heavily tampered with and pressure of expediting to reach a effective best became the foremost and most significant exercise ever to have been carried out. This was primarily triggered by the ever soaring and staggering fatality rate in the most developed countries like US, UK, Germany, Italy to name a few. India being the second most populated country with a very daunting population of 1.3 billion was always a concern on how they would tackle the same and with their universal spread of the Indian diaspora in various across the globe.

The relentless fight was triggered off in full earnest to extinguish the flame which had eaten into our vitals in the most destructive way throwing the life off gear in almost every household. Let us leave at this hoping to resolve this Global impending Issue of this pandemic.



TRULY TECHNOLOGICAL ADVANCEMENT GOT THE BETTER OF THE OLD SCHOOL OF THOUGHT AND WAS RULING THE ROOST WITH ABSOLUTE AUTHORITY, WHICH RELEGATED OUR ARDENT RETROGRADE PHILOSOPHY TO A DAWN OF A NEW AWAKENING OF MODERNITY WHICH WAS INDEED THE NEED OF THE HOUR. THIS WAS SEEN AS A SHIFT CULMINATING IN A STRATEGIC SURGE IN THE RIGHT DIRECTION BY ALL AND SUNDRY.



But on a brighter and on a significant note certain industries really came into the fore unscathed and with renewed vigor especially cloud computing companies like Amazon Web services, Google Cloud, Microsoft Azure making huge profits in the bargain along with companies like Zoom, Cisco Webex along with Microsoft teams and there by was a paradigm shift from physical to virtual viewership To quote an example, a lot of hardware companies faced an acute shortage due to the sudden surge in demand for edutainment. There by the virtual industry made notable headway in their prospects and in the process escalated its high profits in the bargain.

OTT Platforms like Netflix, Amazon Prime suddenly made very notable inroads to the confines of every home across the globe with clinical precision making their cash registers ring to the hilt.



ON A WINDING NOTE AND TO A VERY GREAT EXTENT, THE WHOLE WORLD IS BEING HELD ON RANSOM BY THE PANDEMIC WHICH IS PRECARIOUSLY PLACED STILL WITH NEW VARIANTS SPROUTING OUT EVERY NOW AND THEN FROM THE NOOK AND CORNER OF THE WORLD, DICTATING MODALITIES AND PUTTING THE MESSAGE CLEAR TO ITS POPULACE WHO ON THE CONTRARY ARE WITH A BATED BREATH WAITING FOR A PEACEFUL AND TROUBLE FREE TOMORROW.



India started to become the cynosure of all eyes merely due to the headcount to cash in on for business. We could see a foray of few Fortune 500 companies trying to target this opportunity too in full earnest without bating an eyelid. Thus to put it in a nutshell the world became cater to the think tanks in various segments started sending signals very much on par with exponential force. Truly technological advancement got the better of the old school of thought and was ruling the roost with absolute authority, which relegated our ardent retrograde philosophy to a dawn of a new awakening of modernity which was indeed the need of the hour. This was seen as a shift culminating in a strategic surge in the right direction by all and sundry.

The growing and thumping need for Co existing and Collaborative efforts became the new order and were the other very welcoming signs of the astounding progress, which was very much evident in the edutainment and media in particular.

Social Media also presented itself as a tool with scores of people. Video streaming had been of late been the need of the hour eclipsing many other mundane methods of

broadcasting and shown as the thing creating an offshoot to blossom into another booming industry. The OTT platform has done a world of good for revenue generation in the otherwise conspicuously dormant and slack period for movies in particular where the total scenario had been ravaged the world by storm by the pandemic eating into the vitals of the revenue system and completely decimating the prospect of progress.

This also paved the way for the significant headway for various prominent Television and Cable TV channels to mushroom across the length and breadth of the country which still held sway as the edutainment industry also blossomed and started hitting the top of the chart for sales which a really gave a much needed boost to a very concerted accelerated growth opening up huge opportunities for many players to come into the fray and show their prowess in full force. The virtual space had quite conspicuously opened the Pandora's box igniting a glimmer of hope to the otherwise dull scenario the pandemic had created. Companies dabbling in virtual learning have shown a truly visible accelerated growth and quite evidently proved to be a guiding light just like a silver lining to the dark cloud. This also was evident in the meteoric rise of some of the organisations which were confined to practices which were very archaic in nature to make a paradigm shift quite necessitated by dire circumstances to the era of digitalization just to stay afloat and be in the reckoning in this dog eat dog world.

On a winding note and to a very great extent, the whole world is being held on ransom by the pandemic which is precariously placed still with new variants sprouting out every now and then from the nook and corner of the world, dictating modalities and putting the message clear to its populace who on the contrary are with a bated breath waiting for a peaceful and trouble free tomorrow.

Abraham Paul Vatakencherry, a seasoned thoroughbred professional in top management for strategic alliances with a demonstrated history of working with a wide range of domain ranging from fitness to healthcare, immigration, international education, service industry, business consulting, etc. in short, he carries with him more than two and half decades of hands on experience and has donned many hats like assisting certain chambers of commerce and industry in India in top management positions and also finds mention in various advisory boards of organizations / institutions in both national as well as international ones, Possessing a strong inherent passion for corporate interaction with the student community in general, but not confined to it alone but open to a bandwidth from school to professionals augmenting their professional growth. He is armed with a post-graduation in English literature and is an MBA in Marketing as well as Personnel Management



SEBI GUIDELINES FOR SEEKING NOC BY STOCK BROKERS/ CLEARING MEMBERS FOR SETTING UP WHOLLY OWNED SUBSIDIARIES, JOINT VENTURES IN GIFT IFSC

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

1. Synopsis of the previous release

In our last release, we had given a brief synopsis on launch of India's first sustainability platform at GIFT IFSC by NSE IFSC.

2. Coverage in the current release

The Securities and Exchange Board of India (SEBI) has laid down certain guidelines vide it's circular dated May 13th, 2022 for Stock Brokers/Clearing Members for setting up Wholly Owned Subsidiaries, Step Down Subsidiaries, Joint Ventures in GIFT IFSC which is being dealt with in our current release.

3. Significance

Generally, the Stock Brokers or Clearing Members who wish to set up wholly owned Subsidiaries or Joint Ventures in GIFT IFSC, have to obtain prior permission of SEBI in the form of a No-Objection Certificate(NOC) for the said purpose. In order to rationalise and streamline the process of application, SEBI has issued certain guidelines for Stock Brokers, Clearing Members and Managing Directors/ Chief Executive of all Stock Exchanges and Clearing Corporations, which needs to be adhered for setting up wholly owned Subsidiaries, Step Down Subsidiaries and Joint Ventures in GIFT IFSC. Now, the Stock Brokers or Clearing Members will have a more clear idea of application process, pre-requisites and the documentations involved in it, which will further help them in obtaining NOC from SEBI in a more smooth and effective manner.

4. Guidelines for Application

SEBI has through its circular dated 13th May, 2022 has specified the complete procedure of application by Stock Brokers/ Clearing Members for seeking NOC for setting up Wholly Owned Subsidiaries, Step Down Subsidiaries, Joint Ventures etc. in GIFT IFSC. The following guidelines needs to be followed for the said purpose:

- i. The application along with list of supporting documents for seeking NOC for setting up Wholly Owned Subsidiaries, Step Down Subsidiaries or entering into Joint Ventures in GIFT IFSC should be done as per the format of Annexure-A given in the SEBI Circular.
- ii. Stock Brokers and Clearing Members shall apply through a Stock Exchange where the applicant is a

member, along with the required information, documents and NOC received from all Stock Exchanges/Clearing Corporations/Depositories in which the applicant is a member/participant.

- iii. In case the applicant is a Clearing Member, the Stock Exchanges/Clearing Corporations shall after due verification of the application, forward it to SEBI along with its recommendation.



SEBI HAS THROUGH ITS CIRCULAR DATED 13TH MAY, 2022 HAS SPECIFIED THE COMPLETE PROCEDURE OF APPLICATION BY STOCK BROKERS/ CLEARING MEMBERS FOR SEEKING NOC FOR SETTING UP WHOLLY OWNED SUBSIDIARIES, STEP DOWN SUBSIDIARIES, JOINT VENTURES ETC. IN GIFT IFSC.



5. Application process

The application for seeking NOC from SEBI shall be in the format prescribed In Annexure-A of SEBI circular dated 13th May, 2022. The application consists of the following parts:

a) General Information

- i. Details of all registrations of the company in India and abroad including basic details like name of the entity, type of Intermediary (if Broker, names of Exchanges and if DP, name of the Depositories), Registration No. and Date of Registration.
- ii. Net Worth of the Applicant Company.

- iii. Details of Promoters, Directors and Key Person of the applicant.
- iv. Details of regulatory action taken/ initiated/ pending, if any, against the applicant/ promoters/directors/key personnel/ principal officer of the applicant company (in India/abroad).
- v. Any fee remaining unpaid to SEBI by applicant/ associates.
- vi. Amount of Proposed Investment (converted In INR).
- vii. Purpose of the Application i.e. whether the application has been filed for setting up Wholly Owned Subsidiary(WOS) or a Step Down Subsidiary (SDS) or entering into Joint Venture (JV) or acquiring stake in an existing company.
- viii. Details of the proposed WOS/ SDS/ JV in GIFT IFSC including details of nature of proposed activities.

b) Undertaking

The Company is required to give an Undertaking stating that the Company shall maintain the net worth in accordance with the provisions of the SEBI Act, 1992 and as per the directions issued by respective Stock Exchanges/ Depositories from time to time.

c) Enclosures

The following documents are required to be enclosed along with the Application:

- i. Certificate of Net worth of Applicant based on latest Audited financial results duly certified by a Chartered Accountant. In case, the Net worth Certificate is more than six months old, then latest provisional Net Worth Certificate duly certified by a Chartered Accountant is to be provided.
- ii. NOC obtained from all the Stock Exchanges/ Depositories where the applicant is a member/ participant, in case applicant is a Stock Broker/ Depository Participant.

- iii. Details of any non-compliance with respect to 'fit and proper person' criteria as specified in Schedule II of SEBI (Intermediaries) Regulations, 2008 duly stamped and signed by the Authorized Signatories of the Applicant.
- iv. Latest shareholding pattern of the applicant and list of the shareholders who have controlling interest.

6. Conclusion

- The market regulator Securities and Exchange Board of India (SEBI) has through these guidelines specified the complete process of application required to be followed by Stock Brokers or Clearing Members for seeking NOC for setting up WOS, SDS and JV in GIFT IFSC, thus benefitting them in getting the NOC in a more smooth and efficient manner.
- These guidelines have given more clarity of the application process which in turn, will reduce the time involved in receiving NOC from SEBI and setting up WOS, SDS and JV in GIFT IFSC.

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



CERTIFICATE OF NET WORTH OF APPLICANT BASED ON LATEST AUDITED FINANCIAL RESULTS DULY CERTIFIED BY A CHARTERED ACCOUNTANT. IN CASE, THE NET WORTH CERTIFICATE IS MORE THAN SIX MONTHS OLD, THEN LATEST PROVISIONAL NET WORTH CERTIFICATE DULY CERTIFIED BY A CHARTERED ACCOUNTANT IS TO BE PROVIDED.





LAW ON WILFUL DEFAULTER

Neha Ahuja, LLM
Advocate

The RBI's Master Circular on Wilful Defaulters (Wilful Defaulter Circular) imposes obligation on banks to classify borrowers and promoters/directors as wilful defaulters on satisfaction of wilful defaulter criteria therein i.e. diversion and siphoning of funds, failure to repay the loan despite having ability to do so, and others. The classification under the Wilful Defaulter Circular is entirely a commercial decision of banks.



THE WILFUL DEFAULTER CIRCULAR PUTS OBLIGATION ON THE BANKS TO USE THEIR COMMERCIAL WISDOM TO DIFFERENTIATE BETWEEN A GENUINE DEBTOR (WHO ON ACCOUNT OF FACTORS BEYOND HIS CONTROL I.E. WRONG BUSINESS DECISION OR BAD INVESTMENT FAILED TO PAY DEBT) AND A WILLFUL DEFAULTER, WHO POSES THREAT TO THE ENTIRE CREDIT SYSTEM OF THE COUNTRY.



The Supreme Court in *State Bank of India v. Jah Developers Private Limited and Ors.* took a sympathetic view in concluding that the implication of classifying a person as a wilful defaulter is enormous and consequently, this invites principles of nature justice in the decision making. For instance, very recently in July 2021, the Delhi High Court in *Frost International Limited v. Punjab National Bank* observed that the order of the wilful defaulter committee did not provide adequate reasons for its decision and consequently, fails to be a reasoned order.

The Wilful Defaulter Circular puts obligation on the banks to use their commercial wisdom to differentiate between a genuine debtor (who on account of factors beyond his control i.e. wrong business decision or bad investment failed to pay debt) and a wilful defaulter, who poses threat to the entire credit system of the country.

The one who has been declared as a wilful defaulter shall be criminally liable depending upon the facts and circumstances in the case, according to the Sec 403 and 415 of the Indian Penal Code (IPC) 1860. The RBI regulation as mentioned in the master circular rule 4[6], elaborates this further in detail. Further, no extended services shall be provided to the wilful defaulters by any bank/ FI and entrepreneurs/promoters of companies where banks/ FIs have detected siphoning/ diversion of funds, misrepresentation, falsification of accounts and fraudulent transactions from scheduled commercial banks will be debarred from institutional finance, etc. Also, a wilful defaulter cannot be a settlement claimant under section 29A of the Insolvency and Bankruptcy Code, 2016.

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.

Visiting 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.

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.



COMPLIANCE REQUIREMENT FOR THE MONTH OF JULY – 2022

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

Authorities	Particulars	Due Date
All Mills	KYC records of all existing clients (who have used Aadhaar as an OVD) shall be validated within a period of 180 days from July 01, 2022- Ref. SEBI circular no.SEBI/HO/MIRSD/DoP/P/CIR/2022/46 dated 06.04.2022	01.07.2022
DP	Execution of 'Demat Debit and Pledge Instruction' (DDPI) for transfer of securities towards deliveries / settlement obligations and pledging / re-pledging of securities ref. SEBI/HO/MIRSD/DoP/P/CIR/2022/44 dated 4.4.2022	01.07.2022
All Exchanges	Contingency Drill / Mock Trading Session (Subject to circular to be issued by respective exchanges)	02.07.2022
PMS	PMS- Certification for Activity Report- through SEBI portal for the month of June, 2022	07.07.2022
NSE	The functionality for Application Programming Interface (API) for weekly submission of Holding Statement, Cash and Cash Equivalent Balances and Bank Balances shall be made applicable from week ended July, 02, 2022 (Circular ref.no. INSP/51599 dated 10.03.2022)	07.07.2022
Income Tax	TDS Payment for the Month of June, 2022	07.07.2022
Depository	Investor Grievances (Report) • CDSL & • NSDL for the month of June, 2022	10.07.2022
MCX	Submission of Non ALGO system audit report as at 31/03/2022	10.07.2022
NSE/ BSE/ MCX/ NCDEX/ NSDL/ CDSL	Reporting of Cyber Security incidents for the quarter April, 2022 to June, 2022	15.07.2022
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 June, 2022	15.07.2022
NSE/ BSE/ MSE / MCX/ NCDEX	Statements of Funds & Securities to clients for the quarter ended 30/06/2022 (Non running accounts)	31.07.2022
BSE/ NSE	Submission of Insurance payment Receipt for renewal	31.07.2022
NSE/ BSE	Submission of Details of AP Inspections undertaken during the quarter ended 30.06.2022	31.07.2022
BSE	No. of STR filed with FIU-IND for the month of June, 2022. (Including NIL STR)	Before 31.07.2022
NSE/ BSE	Uploading of clients mapped with Authorised Persons (AP) before the next 2 trading days of subsequent week.	Weekly basis
NSE/ BSE	Reporting of client level cash and Cash Equivalent Balances by trading members to the clearing members on weekly basis (within next four trading days of subsequent week)	Weekly basis
All Exchanges	Submission of Bank statement to exchange on weekly basis (within next four trading days of subsequent week)	Weekly basis
All Exchanges	Requirement of sending a complete 'Statement of Accounts' for funds, securities and commodities in respect of each of its clients (within next four trading days of subsequent week)	Weekly basis
All Exchanges	Reporting of client level Cash and Cash Equivalent Balances and Bank account balances (within next four trading days of subsequent week)	Weekly basis
All Exchanges	Uploading of Clients' Funds, collateral and other details lying with the member broker. (Enhanced Supervision within three trading days of subsequent week)	Weekly basis
All Exchanges	Uploading of day-wise Holding statement in the specified standard format to exchange (within four trading days of subsequent week)	Weekly basis

***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

LIVE AN INSPIRED LIFE

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



Wouldn't it be great to wake up inspired and end the day feeling fulfilled with the work done? But how do you find inspiration in the monotony of daily living with its repetitive, routine actions? How do you find creativity and stimulation on a daily basis?

Let us look back to our ancient texts for answers. In the Bhagavad Gita Krishna holds out the promise of victory, triumph and success to a depressed Arjuna who had all but given up on life. By the end of the sermon Arjuna stands up, fights his battle and wins it. We too have our battles to fight and hurdles to cross. The Bhagavad Gita reaches out to us, lifts us out of despair and empowers us to emerge victorious.



THERE IS NO EASY WAY TO SUCCESS. KOBE BRYANT, THE LEGENDARY BASKETBALL PLAYER, WOULD DO A VIGOROUS WORKOUT STARTING AT 4 AM EVERY DAY!



How have we, the most powerful species designed for perfection, reduced ourselves to a state where we need tranquilisers to sleep and Prozac to lift us out of dejection? We all have greatness within. It is our responsibility to uncover it. What takes away our vitality and focus, our dynamism and enthusiasm? Thought of self is the culprit. It leads to errors, mediocrity and failure. Thought of self makes you unhappy. And you remain stunted.

Each one is gifted with a rare ability, a distinct talent. Identify it. Find that one thing you are good at, and fix a higher goal in that field. The higher the goal, the greater the energy and enthusiasm. Then put in hard work, grit and perseverance to achieve your objective. It requires sacrifice and the willingness to set aside your favourite movies and restaurants. Nobody gets to the top without these prerequisites. There is no easy way to success. Kobe Bryant, the legendary basketball player, would do a vigorous workout starting at 4 am every day! Athletes, gymnasts, businesspeople and musicians struggle to finetune their abilities before achieving success. People only see the laurels and accolades they win, not the exertion and toil that got them there.

Sharpen your intellect, the discriminative ability. The intellect thinks, reasons, distinguishes between pairs of opposites and

guides you through the journey of life. It helps develop clarity of thinking and galvanises your senses, actions and feelings towards the goal. When all your resources are directed towards that one mission you generate energy. Feel deeply for your goal, be devoted to it, and work dynamically for it. Concentrate on every action, without meandering into past worries or future anxieties. You will achieve success effortlessly.

Team work is an important component of success. However brilliant you may think you are, you cannot do it alone. Life changes for the better when you accept that you cannot be good at everything. Develop the humility to admit your shortcomings and take the help of others who are better than you. Inspire others with a higher purpose. Reach out to them with love and affection. Give them a reason to come to work excitedly, not just to earn a living! Empathise, appreciate and applaud before you criticise. The positive impact will be profound. They will rise to the occasion and go beyond the call of duty to serve the cause. You will achieve tremendous success. Share the spoils with the team members. Give them the credit they deserve.

Today, profit and money are the only measure of success. The Bhagavad Gita takes you beyond mere wealth to happiness. You will enjoy the wealth you have accumulated. Today, the affluent are tormented with stress and anxiety and are in no position to enjoy the fruits of their endeavours. Most importantly, when you act in a spirit of service and sacrifice for a higher cause your desires reduce. You evolve spiritually. You transform from an ordinary mortal to the extraordinary Immortal.

Gain more insights on happiness at Bhagavad Gita webinars by Jaya Row every Saturday from 6 to 7 pm. Register free at www.vedantavision.org/gita

Jaya Row is one of the world's most influential speakers on Indian philosophy, Vedanta. She's a well-loved spiritual leader whose expositions on Vedanta touch the mind and uplift the intellect.

Blessed with a global vision and unparalleled knowledge of the scriptures, she has the incredible ability to reach out to individuals of all nationalities, sects and faiths.

Backed by her corporate experience and 40 years of research on Vedanta, she motivates her audiences to live successful and happy lives. Clarity, wit and zeal are the hallmarks of her presentations.

Her seminars for corporate executives deal with the holistic development of people. She helps create the most valued corporate assets - fulfilled, dynamic human beings.

She has gained international recognition, having spoken at prestigious forums such as the World Economic Forum Davos, World Bank, Young Presidents' Organization, Princeton University, Purdue University, Washington University and others.

Since the outbreak of the pandemic and through subsequent lockdowns, she has continued to spread the message of Vedanta online. She hosts webinars on the Bhagavad Gita every Saturday on Zoom.

She engages a younger audience through her podcast, Gita for the Young & Restless, on Spotify. In each episode, she provides simple solutions to the everyday problems that Millennials and Zoomers face.



SPEAK UP BEFORE IT GETS TOO LATE AND MENTAL HEALTH CRISIS BECOMES THE NEXT PANDEMIC

HE Dr Nabhit Kapur
President, World Leaders for Mental Health

WHO warned the world about worsening mental health conditions even before the arrival of Covid-19. Pandemic just acted as fuel into the fire, according to the report and surveys it was estimated that the poor mental condition of the citizens will cost much more than \$1 trillion to the Indian economy by 2030. In 2020, multiple antidepressants and anti-anxiety drugs were prescribed to people to make their mental condition stable. When we thought the end of 2020 would turn out to be better, things went completely opposite and we were right in front of the 2nd wave of Coronavirus.



PANDEMIC JUST ACTED AS FUEL INTO THE FIRE, ACCORDING TO THE REPORT AND SURVEYS IT WAS ESTIMATED THAT THE POOR MENTAL CONDITION OF THE CITIZENS WILL COST MUCH MORE THAN \$1 TRILLION TO THE INDIAN ECONOMY BY 2030.



The lockdown tended to infuse depression, anxiety, and fear in people. Fear of losing our loved ones and suffering from the trauma which is left behind. Now not only the common people are suffering from this situation but even the healthcare workers are fighting the same every day. Clinical depression is getting common in them, says a study. Billions are being spent on mental health treatments but is it worth it? According to me, 'Covid definitely has made mental health a topic of grave importance but no one is understanding that Corona has not given birth to the issue of mental sickness, in fact the condition has managed to breathe within us since ages but we always fail and avoid addressing it.'

We need to reach to the grassroots level of these issues otherwise the day is not far when the Mental health crisis in itself will emerge as a pandemic. I believe in execution instead of reciting just theories to attract audience and attention. I am the founder of the Peacefulmind Foundation, an organization that is registered under the United Nations global compact and aims at building a healthy world. It has proudly emerged as one of the most reputed mental health forums and its Global Youth Mental Health Forum (GYMHF), PMF Covid19 warriors, Mental Health open mic, are other initiatives that have been tremendously successful in training people and youth regarding psychological first aid.

I always say a 3 step plan, 'Our first step towards the trail of curing mental sickness is to start getting open about it and make it a household term if you are suffering from any of the mental issues then instead of waiting for it to get cure by itself to start discussing it with you family, friends or colleagues. The second step is to train the higher authorities and managers regarding the same and make them aware of the accurate tools that help to deal with the condition. The last step is to stop treating everyone with a similar kind of treatment as one-size-fits-all is not something that can get applied for fighting any mental condition. Each being is different, thus everyone requires their type of treatment.'

'Stop being judgemental, start listening, sometimes even listening might act as a medication for someone. Spending billions or trillions wouldn't resolve this issue, neither discussion nor debates will, but care and can'.

HE Dr Nabhit Kapur, Nobel peace prize nominee 2022, is a crusader of mental health and multilateral diplomacy who is currently serving as the senior advisor to government of Somalil and Liberia. Working on the main agenda of well-being diplomacy, he was the only independent Indian candidate for United Nations Secretary General elections 2021 and now for 2026. He is the senior advisor to the international society of diplomats in Greece. Recently he was nominated as the board of directors to the Private office of His Highness Sheikh Majid Rashid Al Mualla. His main professional interests include mental health advocacy, well-being diplomacy, international affairs, diplomacy and global peace.



HEALING TEMPLE



HEAL WITH THE ELEMENTS. CONNECT TO NATURE

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



Sherina Tanwani
Aura Therapist

Have you ever heard that humans are a product of their environment? Often this means that we are influenced by the culture and family we live in. but there is another literal meaning too. We humans are influenced by our habitat - Planet Earth. It is a well known fact that our body is a microcosm of the world. It contains all the same properties as the Earth. The human body and planet Earth are both made from the same elements. Did you know that Oxygen accounts for more weight than any other element in both Earth and the human body? One other major similarity is that the Earth and our human body is largely made up of water.

If any one element on Earth reduces or increases, it can be catastrophic for all the people living on it. Thus, it stands to reason that if any element becomes imbalanced in the human body, it can cause discomfort. And this discomfort can be reduced and even corrected by using healing techniques connected with the same 5 elements.

Both yogic science and ayurveda recognize that the path to a healthy body and mind is restoration of our connection with the five elements of the natural world-earth, water, fire, air, and space. Nature is made up of these elements and we humans are not separate from nature. These five elements manifest in us in combinations unique to each of us that strongly influence our individual constitution. When we are disconnected from nature, our vitality declines. By connecting ourselves with the five elements of nature, we nourish these elements in us, bringing balance, healing, and a sense of well-being. By engaging with any or all of these elements, healing and rejuvenation becomes an enjoyable and invigorating journey.

Let's look at each of the elements, their inherent qualities, and how we can connect with them and contribute to our good health and wellbeing.

Earth: The earth element is associated with the qualities of stability, calmness, strength, and nurturance. Connecting with the earth supports these qualities in us. It helps us feel more stable, grounded, and calm. How often do you walk with your feet in the dirt-or in sand or on grass? Our ancestors walked with bare feet and slept on the ground. But in today's age of comfort, we seem to have lost this connection. Research shows that walking barefoot out-of-doors, known as grounding or earthing, improves our sleep, decreases inflammation, and reduces pain by reconnecting us with the earth's electrons. This research has found that this connection helps the body to "equilibrate with the electrical potential of the earth, thereby stabilizing the electrical environment of all organs, tissues, and cells."

Healing Activity:

- A daily walk on sand or on grass is essential for us to help us deal with our stressful lives and to keep us healthy in every

aspect - physical, mental and emotional.

- Visit a park near you and meditate or sit for a while on the grass with your back against a tree. Nature is always ready to provide us with all the energy we need, if we just keep ourselves open to it.



Water: The water element is cooling, soothing, and flowing. Its moisture is life sustaining. We are intuitively drawn to waterfalls, rivers, lakes, seashores, and even a decorative water fountain. Why? Being near water in nature, called blue space, is not just pleasing to the eyes and ears. Being near water has a positive effect on mental health, stress levels, and sense of wellbeing, while also promoting physical activity.

Our body is made up of 60% water, which flows out of us as sweat and urine, so it is essential for us to replenish this water supply with fresh clean water.

Healing activity:

- Walk or even just stand in the waves of the ocean.
- Listen to the sound of a waterfall.
- Drink at least 2 - 3 litres of water daily.
- Energize your drinking water with healing energy.



Fire: Fire has the qualities of heat, light, and also transformative powers. The sun is a ball of fire; its heat, light, and energy are the powerhouse behind the growth and development of all life on earth. The benefits of sunlight are many, beginning with helping us balance our circadian rhythms, which are geared to the natural light and dark cycles of the day. Balancing these cycles helps us improve our mood and sleep, as well as overcome jet lag.

The sun is also an important source of vitamin D3, which is associated with healthy bones. In addition, it has been found that people who suffer from persistent pain have a vitamin D deficiency caused by a lack of sunlight.

Fire is also used to cook our food and make it palatable for us and nourish our physical body.

Healing Activity:

- Allow sunlight to touch your skin for a few minutes daily.
- Eat a mix of raw salads and cooked food everyday.
- Follow the cycle of the Sun and sleep for 6 to 8 hours during the night.

6 BENEFITS OF SUNSHINE

1. Sunlight increases serotonin which increases our feeling of well-being. Which can lift our mood.

2. Stimulates the pineal gland which produces melatonin which is important to regulate sleep.

3. The sun is our best source of vitamin d which is important for strong bones & teeth.



4. Vitamin D improves brain function. Sunlight helps stimulate the brain.

6. During exposure to sunlight, the amount of white blood cells increase. These cells play an important role in strengthening immunity.

6. Skin exposed to natural ultraviolet light releases nitric oxide which helps to lower blood pressure.

Air: Air has the qualities of movement and lightness. It circulates, carrying a wide variety of airborne particles and substances, including negative ions from water spray, fragrances, pollens, and, of course, oxygen. Forests are the lungs of the planet-exchanging the carbon dioxide we breathe out for the oxygen that we breathe in. A less known fact is that forests also release into the air natural aromatherapy that is beneficial to humans.

But this element can only help us if we learn to breathe in the correct manner, allowing the oxygen to circulate within our body to energize us.

Healing Activity:

- Spend a few minutes daily taking deep breaths. Allow the air you breathe in to fill up not only your lungs but also your abdomen.
- Take a walk outside in an environment that encourages fresh clear air, like a forest or garden with trees, or near the ocean, anywhere where you can be surrounded by nature.

8 Benefits of Deep Breathing



detoxifies the body



improves immunity



supports correct posture



improves digestion



lowers blood pressure



increases energy



relieves pain



decreases stress

Space: Space is by definition open and limitless. It holds and contains all the other elements and is the place where all five elements come together. We can feel the solid foundation of soil beneath our feet, the sensation of the sun's warmth on our back, and the gentle breeze in our hair. Natural green space inspires us and allows us time to unplug from technology and nourish our senses. Most of us nowadays suffer from stress which is also considered to be a constriction of space. We suffer from claustrophobia - fear of enclosed spaces. These can be healed by being in natural open spaces. The very sights and sounds of nature keep our awareness in the present moment and away from worries about the future or memories of the past. When spending time in nature of any kind, we find ourselves feeling peaceful in an environment that offers us space to come into a balanced state.

It is human nature to be in nature. When stress and strain tug at us, we need to come home to the elements that created us and our world. Walk barefoot in the garden, take a stroll in the park, sit by a fountain, or gaze at the evening sky-whatever quiets your mind and opens your heart. Nature is our eternal companion. Connecting with all the elements daily can help us find the peace we look for and deserve.

Sherina Tanwani is an authorized System BrahmaSatya trainer and healer since the year 2001, a Shamanic Practitioner and a Feng Shui Consultant. She conducts various workshops:

- Brahma Satya Energy Healing - Level 1, 2 & 3
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- Crystal Chakras
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- Goal Empowerment with Art & Huna Healing
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eSigner™	Solutions for sending and tracking of Digitally Signed Document	All Entities
SPARK™	Solutions for Broking Business	Equities, Derivatives, Currency and Commodity Segment
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