

# FORUM VIEWS

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in FINANCE and in  
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HUMAN CAPITAL  
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AIMING GLOBAL REACH

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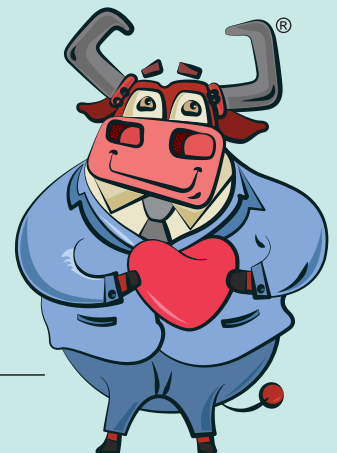
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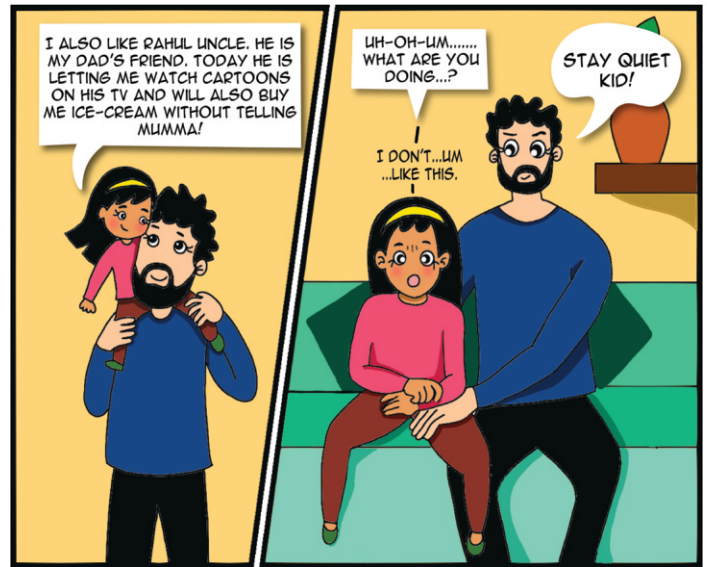
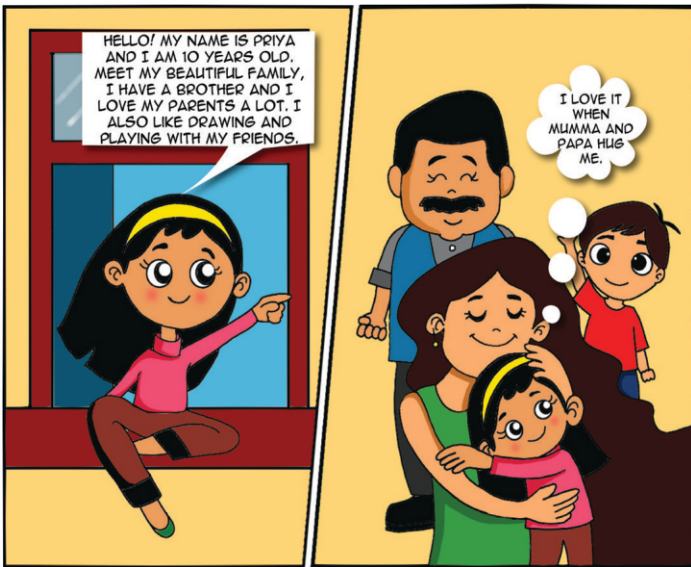


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THE  
FROM

Welcome to the September 2021 edition.

Indian stock markets at all time high: The Indian stock market have touched all-time high, and the retail investors participation is also at one of the record levels. The number of retail investors registered on the stock exchanges have crossed 7 crores mark which is vast achievement. The retail investors participation is at all time high which shows their confidence in the Indian economy and the stock market.

The economy also seems to be in upbeat with macro indicators indicating that the things are getting better. The GST collections have touched Rs. 1.16 lakh crores in July 2021 which showed that the economy is gaining momentum and that Rs. 92849 collected in June 2021 was just one of events. CPI (Consumer Price Index) inflation has moderated to 5.59% as compared to 6.26% which gives room to RBI to keep the interest rates at the lower level. The RBI target base inflation strategy has kept the target for inflation at 6%.

# BBF SECRETARIAT

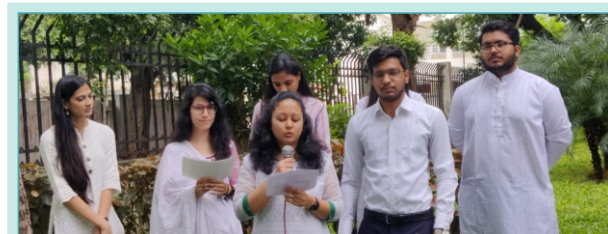
RBI has kept the interest rates constant with no change in Repo rate at 4% and Reverse Repo Rate at 3.35%. The cost of capital continues to be low so that businesses can expand. From February 2019 there has been reduction of 250 basis point in Repo Rate. This resulted into banks lowering their cost of capital by 217 basis points. Retail inflation is at 6.26% which is slightly above the RBI comfort zone of 6%.

US Federal Reserve has maintained its accommodative stance and will continue to buy around \$ 80 billion worth bonds on monthly basis till the economy gains more momentum. This means that cheap liquidity may continue to flow into the emerging markets for quite some time. The interest rates globally are very low, and all the Central banks have adopted accommodative stance since the world economy is not completely out of woods.

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

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Day/ Date	Webinar topic
Tuesday, 3 August	Q&A on CDSL block mechanism implemented from 01-Aug-2021
Friday, 13 August	NSDL updates on Regulatory mandates
Wednesday, 25 August	Intermediaries services, business opportunities, regulations, and processes for Trading Members in GIFT IFSC



BBF presence at S. R. Luthra Institute of Management, Surat, Gujarat (15 August)



# GLOBAL INSIGHTS



“Despite this rapid change, the fact remains the same - the ability of people to acquire new skills that helped them transition in past disruptions is the same ability that will also help finance professionals navigate the Fintech disruption.”

TRAM ANH NGUYEN

Co-founder

Centre for Finance, Technology and Entrepreneurship (CFTE)  
(London, United Kingdom)

## TOMORROW'S JOBS IN FINANCE AND IN FINTECH

### Technology: the ultimate disrupter

Technological innovation has long been a precursor of far-reaching change on both a societal and economic level since the dawn of the industrial revolution. In particular, the impact technology has had on jobs has changed the topography of entire industries through a cycle of job creation and destruction.

Take the industrial revolution as an example. The advent of steam-powered machinery caused a mass migration to urban centres as workers flocked to take up work in factories that promised new opportunities for economic prosperity.

Similarly, the technological revolution that electronics and computing brought about shifted the emphasis to a knowledge-based economy where the faculty of the mind ruled supreme.

Unlike previous shifts, the current revolution is markedly different. It's occurring at a faster rate and closely follows Moore's Law, which implies the exponential growth of computing power. The implication is evident wherever you look.

It took hundreds of millions of dollars to sequence the first human genome in 2004, now a machine can sequence 18,000 for \$1000 annually.

As technology evolves at breakneck speeds, it displaces existing technology and processes at a faster rate. Whereas previous generations had time to transition to new norms, today's workforce faces an urgent need to adapt quickly.

This acceleration in technological progress has implications for finance, as financial technology or fintech starts to impact jobs and working practices.

**Despite this rapid change, the fact remains the same - the ability of people to acquire new skills that helped them transition in past disruptions is the same ability that will also help finance professionals navigate the Fintech disruption.**

### Publishing disrupted

The finance industry may only now be feeling the impact of technological disruption but other industries have already gone through a complete transformation as a result of new technology displacing old business models.

One only has to look at the publishing industry to understand how the Internet changed the user habits of readers. As the Internet grew as a network, new digital technologies such as search engines grew with it. This changed how readers accessed and consumed information.

As people spent more time online consuming content, the emphasis shifted from print to new business models that leveraged the power of digital technology. This has led to a subsequent decline in sales of books, newspapers, and magazines and given birth to an ecosystem of innovative businesses that live online – businesses like the Huffington Post, WordPress, and a variety of advertising technology platforms.



**THE DIGITISATION OF FINANCE IS SIMILARLY GOING TO IMPACT JOBS. AS SOME ROLES BECOME AUTOMATED BY TECHNOLOGY OTHER ROLES WILL EMERGE THAT REQUIRE PEOPLE TO WORK WITH TECHNOLOGY AND LEVERAGE IT IN NEW AND INNOVATIVE WAYS.**



Some print newspapers, like The Independent, have even become digital pure plays as they look to move with the times.

The digitisation of the publishing industry has inevitably impacted jobs. Some jobs have disappeared, other roles have been transformed and some entirely new positions have emerged. Demand for digital skills such as data analytics, SEO, social media has grown as online publishers and brands vie for the attention of readers and consumers.

The decline in the number of people working in print has been matched by an increase in the number of people working in online.

**The digitisation of finance is similarly going to impact jobs. As some roles become automated by technology other roles will emerge that require people to work with technology and leverage it in new and innovative ways.**

### Finance disrupted

The disruption happening in finance can trace its roots back to the financial crisis of 2008 which eroded public trust in financial institutions and created demand for more consumer-focused banking products that matched the consumption needs of today's tech-savvy demographic.

Thus began the unbundling of traditional banking services. New Fintech startups are now leveraging technology to deliver banking services previously provided by banks.

Where banks bundled a host of services together, new Fintech startups are focusing on narrow categories to ensure they become category leaders; areas like payments, lending, and capital markets have seen a host of new startups beginning to eat into financial institutions market share.

In the payments space, Stripe, the US-based fintech is helping process online payments for businesses. In an emerging economy like China, another fintech giant, Alipay is helping the previously unbanked population access financial services. Challenger Banks like Starling in the UK are disrupting traditional banking with an innovative proposition of online-only, app-based banking. Robinhood is disrupting another realm of financial services as it opens the doors to retail stock trading, by democratising the process, through commission-free trading.

Industries like finance are also being disrupted by the younger Millennials and Gen Z. A study by Bank of America in 2018 (highlighted by CB Insights), found that 73% of millennials would be more excited by financial services offered by tech giants like Google, Amazon or Apple.

Consumer-facing Fintech is already causing major disruption to finance, but slowly this disruption is now beginning to filter through on the institutional side.

A case in point, at its height in 2000, Goldman Sachs's US cash equities trading desk used to have 600 traders, now it has 2. Automated processes backed by machine learning have replaced most of the manual tasks. This trend will only accelerate, any jobs that can be automated will be.

**As financial institutions look to maximise revenues in the wake of increasing margin pressures, more and more will turn to utilising technology to drive efficiency gains across business processes. The digitisation of assets, operations, and workforce is underway.**

### Adapt or die

**What does all this disruption mean for finance professionals and institutions?**

Technical skills will reign supreme. Just like the disruption of publishing gave rise to a new skill set needed to deal with the proliferation of digital, so the digitisation of banking is increasing demand for workers with technical skills.

A few years ago, Marc Andreessen famously said that 'software is eating the world' - an incredibly concise, short but powerful way to summarise one of the biggest trends transforming the world. To summarise what's transforming our industry today by using a similar analogy, would be to say, 'technology is eating finance'.

The Global AI in Financial Services Survey, supported by EY and Invesco, shows that technologies like AI are set to transform financial institutions, from business models to changes in the workforce.

There has also been a steady increase in the adoption of technologies like robotic process automation, cloud computing and advanced analytics and forecasting by financial institutions.

As the amount of raw and unstructured data today's FI's produces is increasing at an exponential rate and there is a need for workers who can interpret this data and turn it into actionable outcomes using technology and analytics.

This clearly translates into the majority of roles arising in financial services. To take an example, by analysing 11,000 jobs advertised by Citi Bank globally lead to the conclusion that, data, analytics, and technology are now mentioned in more than half all job postings (Fig 1.)

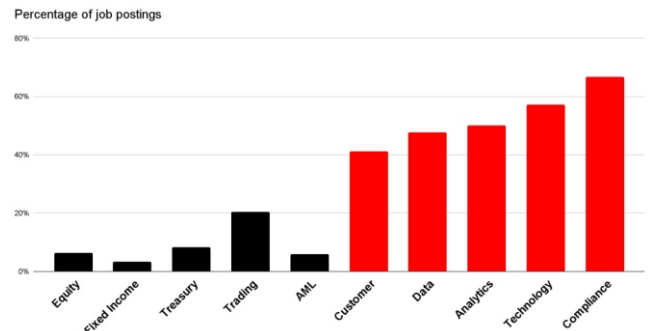


Fig 1. Keywords found in 11,000 jobs advertised by Citi globally

As technologies and business models continue to evolve a major skills shortage is also on the horizon. A study by McKinsey in 2020, noted that a majority of organisations surveyed (43%), stated that the business area with the greatest need to address a potential skills gap was that of data analytics (Fig 2.).

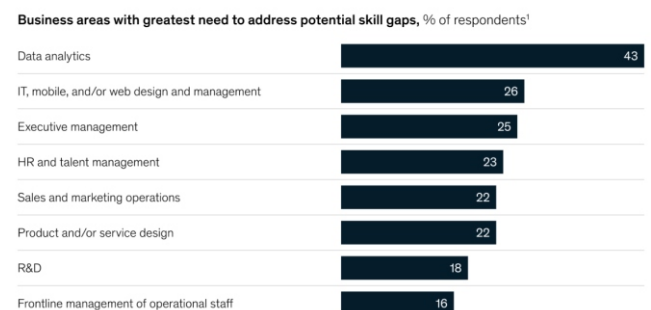


Fig 2. Business areas with greatest need to address a potential skills gap, McKinsey 2020

### Beyond Technical Skills

Ensuring finance professionals have the right technical skillset is just one part of the equation. In addition to technical skills, demand for skills that cannot be replicated by machines will also increase.

As machines replace the transactional and routine processes, the role of finance professionals will evolve to

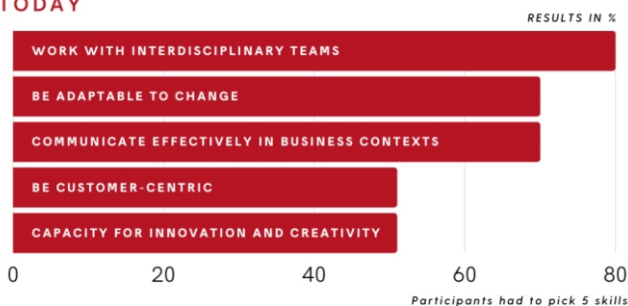
become more strategic in scope. The emphasis will be on utilising innate human qualities like creativity, leadership, and emotional intelligence to ensure that technology is effectively implemented across the organisation and insights gleaned from data are turned into strategic action by senior management. The significance of financial professional developing these soft skills will only grow as FI's utilise cross-functional teams to innovate and deliver tomorrow's finance products.

**Our research with the Singapore Fintech Festival in 2020 (Fig 3.), highlights the new skills paradigm for finance and fintech professionals. In the next 5 years, the core to skills successfully adapt to finance 2.0 will be to be adaptable to change, have the capacity to innovative and be creative, and to have knowledge about data and analytical skills - that change is happening but the power lies in the individual to learn the hard and soft skill to help them transition to finance 2.0.**

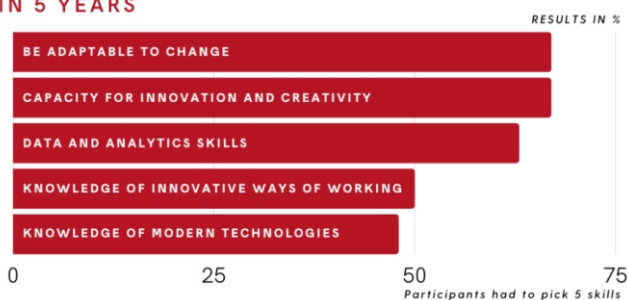
### GLOBAL CURRENT AND FUTURE SKILLS REQUIRED IN FINANCIAL SERVICES & FINTECH

Most important skills for employees to thrive in their organisation:

#### TODAY



#### IN 5 YEARS



Centre for Finance, Technology and Entrepreneurship

Fig 3. Global current and future skills required in financial services & fintech, CFTE 2020

#### Implications for finance professionals

The finance industry won't be the same in 10 years. Fintech startups will become behemoths and the DNA of financial institutions will have drastically changed as a result of demographic and competitive forces.

As the innovation cycle speeds up the impetus will be on finance professionals to upskill to keep up with the pace of change or risk an uncertain future.

People are no longer dedicating their lifetimes to one company, and the median time they spend in jobs is rapidly declining. In a 2020 Employee Tenure Summary by the U.S. Bureau of Labor Statistics (BLS), it was reported that the median employee tenure was 4.3 years for men and 3.9 years for women. As a result of increased mobility and flexibility towards work, the need to have the right skills as people move from jobs to job will become more important.



**AS FINANCIAL INSTITUTIONS LOOK TO MAXIMISE REVENUES IN THE WAKE OF INCREASING MARGIN PRESSURES, MORE AND MORE WILL TURN TO UTILISING TECHNOLOGY TO DRIVE EFFICIENCY GAINS ACROSS BUSINESS PROCESSES. THE DIGITISATION OF ASSETS, OPERATIONS, AND WORKFORCE IS UNDERWAY.**



In addition to the current landscape changing, new roles will emerge that don't yet exist. Rather than financial professionals making a giant leap as a matter of last resort, a more pragmatic approach is needed - an approach that encompasses lifelong learning.

#### Implications for finance organisations

The initial challenges for banks to adapt must start at home with their internal environment and how they structure the workforce to facilitate innovation. To transform their business models and innovate they will need to adopt a more agile style of working to enable them to compete with lean fintech startups.

This requires a shift in organisational culture so that strategic goals to innovate align with internal capabilities. A cultural shift can only happen with buy-in from all levels in the organisational hierarchy, from senior management to workers on the front line.

The best way to initiate buy-in to innovation is through progressive training and development programs that provide deep learning on key technological trends affecting finance and how the company can best position itself to capitalise on these trends.

Creating a culture of innovation that puts technology at the centre of the organisations future strategy will help serve to attract future talent. According to a study by Deloitte, 75% of the workforce in 2025 will be millennials. Hence for

today's FI's to be successful it's vitally important their workforce strategy incorporates this hugely influential cohort.



**THE BEST WAY TO INITIATE BUY-IN TO INNOVATION IS THROUGH PROGRESSIVE TRAINING AND DEVELOPMENT PROGRAMS THAT PROVIDE DEEP LEARNING ON KEY TECHNOLOGICAL TRENDS AFFECTING FINANCE AND HOW THE COMPANY CAN BEST POSITION ITSELF TO CAPITALISE ON THESE TRENDS.**



Research also often suggests that both millennials and Generation Z (the cohort following millennials) want to work in the tech sector. A fact that's not surprising given these generations can be defined as being digital natives who are motivated by technology and innovation.

Thus, there is an inherent need for organisations to innovate to stay competitive, but in order to do so there is need to develop the right training and development programs to help ensure they have access to the skills they need.

It is crucial these programs leverage technology as a tool for learning. Initiatives that incorporate online learning platforms, webinar, mobile learning together with in-class learning and mentoring and coaching programs.

### Final words

Like previous revolutions before it, this technological revolution has it's own challenges as the finance industry begins to restructure and migrate to a new norms. Understanding the road ahead and the correct path to take will define who arrives at the destination with all senses and who gets lost on the way.



Image 1. The Centre of Finance, Technology and Entrepreneurship, CFTE

Fortunately, CFTE, the Centre of Finance, Technology and Entrepreneurship has the expertise and support of an entire ecosystem of industry experts, academia, FI's and start-ups who have a clear understanding of the change that is happening and the path finance professional and organisations need to take to succeed in the age of breathtaking technological advancements.

CFTE has several of training and development programs tailored to a number of our stakeholders to ensure they are fully prepared for Finance 2.0.

### About CFTE:

CFTE is a global knowledge platform in digital finance that aims to liberalise education by making learning about the biggest technologies and trends in finance accessible to anyone. We help people build skills to transform their careers with courses that go beyond traditional learning. At CFTE you can learn from those steering the biggest developments in the financial sphere - from global CEOs to disruptive entrepreneurs hailing from Starling Bank, UBS, Mastercard, IBM and other large institutions. To help meet every learner's goals, CFTE offers Specialisations to get certified in any area of digital finance as well as continuous learning material to stay on top of the latest trends in digital finance 365 days a year on THINK. From beginner to master, at CFTE there is something for everyone. Visit the CFTE website.

**Tram Anh Nguyen** is the co-founder of CFTE, based in the UK, setup in 2017, one of the fastest growing knowledge platforms in Fintech and Digital Finance.

She serves as Board Advisor, Industry Fellow Imperial College, she is an advocate of lifelong learning and believes that continuous education is the best tool to help people adapt to a fast-changing world.

Tram Anh strongly believes that in a world dominated by technology, people must remain at the center of society and organizations, and that education and training are key to help individuals adapt to a fast changing world. This was the motivation that drove her to launch CFTE to help finance professionals up-skill, find more opportunities and build better finance.

She works tirelessly with governments, policy makers, industry experts and academia to push initiatives in financial education for Finance 2.0. She followed her passion to bring about a skills revolution in finance to not only transform the industry, but to help a multitude of stakeholders like women and people from different backgrounds and walks of life to enter the new world of finance

The platform includes hundreds of experts (from heads of innovations in banks to CEOs of challenger banks and CEOs of Fintech VCs), created a platform that helps the industry acquire this knowledge quickly, from Fintech to Artificial Intelligence to Open Banking to Extrapreneurship programmes, with an engaged community with 100,000+ alumni around the world. CFTE is based in London, Singapore, Hong Kong, Abu Dhabi, Paris and works with most Tier 1 financial institutions.

Highly respected in the industry, Ambassador for the Singapore Fintech Festival in 2020, Senior Leader Women in Fintech, London's top Women in Fintech 2019 by Business Insider. Top100 Asians in UK Tech 2019. International Speaker at global events, mentor and judge for the industry.

Of Vietnamese origin, Tram Anh was born in France and lived in Paris, New York and now London, she provides a great understanding of both Asian and Western cultures and is always keen to bring the best of them together.

# GLOBAL INSIGHTS



Fintechs that hit the \$1 billion mark are mainly clustered in the top 4 countries (USA, China, UK, India), while the rest of the world still plays catchup. Innovation in Fintech is undoubtedly predominant beyond the borders of the leading countries, but the strategy to nurturing billionaire fintechs needs a lot more to materialise.

## HUY NGUYEN TRIEU

Co-founder

Centre for Finance, Technology and Entrepreneurship (CFTE)  
(London, United Kingdom)

# THE FINTECH UNICORN HUBS OF 2021: WHERE DO THE LARGEST FINTECHS HAIL FROM?

Traditionally, fintech unicorns made rare sightings across the globe, but it's becoming a common breed in today's fintech ecosystem - with nearly 157 fintech unicorns in the world. The new generation of unicorns are disrupting finance as we know it, with modern technologies and innovative business models attracting swathes of new-age consumers. At CFTE, we decided to dive into the rankings of the largest fintech unicorns (public and private companies valued at \$1 billion and those that surpass it) and trace back their origins.

## What are Fintech Unicorns?

Unicorns are late-stage startups that have a valuation of more than \$1bn, and are either private or have gone through an IPO. In our definition, these are private startups that go from \$1bn to listed companies such as Paypal (the granddaddy of Fintech).

Based on our ranking of the largest fintech companies in the world by market capitalisation, there are nearly 157 fintech companies in the billion-dollar club worldwide, valued at a total of \$1.8 trillion.

## The countries with the most Fintech Unicorns in the world

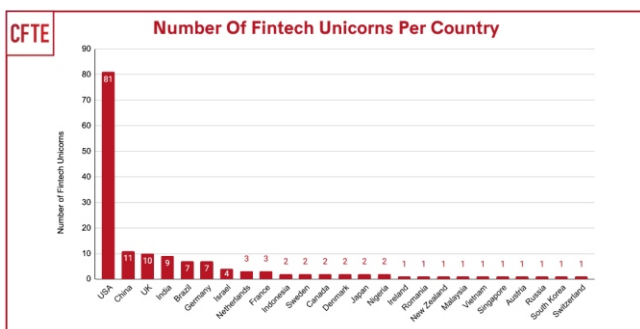


Fig 1. Number of Fintech Unicorns Per Country, 2021

More than half (51%) of the world's soaring fintechs come from the United States. The countries next in rank on the leaderboard don't even match up to the scale of fintech with over a billion dollars. To put this in perspective, **the USA has more fintech unicorns than all other countries combined.** The USA is home to some of the most valuable private and listed fintech companies by market capitalisation including, Paypal (\$327.76 bn), Square (\$128.26 bn), Stripe (\$95 bn), Coinbase (\$54.22 bn), and Robinhood (\$47.83 bn).

China trails with 11 Fintech unicorns (the USA has nearly 7 times more). But China holds pride in harboring one of the most valuable fintech giants, Ant Financial worth approximately \$312 Billion as of August 2021. Other Chinese fintechs that have become some of the most valuable behemoths include Tencent (Fintech business) (\$120 Billion), Lufax (\$17.53 Billion), Zhong An (\$7.96 Billion).

The United Kingdom and India, don't fall far behind the mainland with 10 and 9 fintech unicorns leading the countries fintech hub. With a fraction of the difference between the countries, the competition between China, UK, and India to lead the race with the most fintech unicorns is getting heated up.

To deep dive further into the numbers, an analysis on the countries which host at least 1 or more fintech Decacorns - companies valued at over \$10 billion - revealed some interesting numbers (Fig 2.). While the USA, China and take the lead again it's remarkable to see the UK in line with an emerging economy like Brazil with 2 fintech decacorns. This is a clear indication that Brazil's Fintech ecosystem is gearing up for some big swings in the industry.

Country	Number of Decacorns (Companies Valued at or above \$10bn)
USA	13
China	3
UK	2
Brazil	2
Ireland	1
Netherlands	1
Indonesia	1
Romania	1
Sweden	1
India	1
Russia	1
New Zealand	1
Malaysia	1

Fig 2. Number of Fintech Decacorns Per Country, 2021

**The secret behind the billion-dollar fintech marketplaces** Fintechs that hit the \$1 billion mark are mainly clustered in the top 4 countries (USA, China, UK, India), while the rest of the world still plays catchup. Innovation in Fintech is undoubtedly predominant beyond the borders of the leading countries, but the strategy to nurturing billionaire fintechs needs a lot more to materialise.

Deloitte states that, for a country to rise up the ranks as a hub to some of the leading fintech unicorns, there are usually 4 main criteria that come into play.

First, the ability to attract, develop and retain talent in areas of finance, technology, and entrepreneurship is key to a FinTech hub's global competitiveness.

Another element to consider is access to capital. Start-ups will flock towards places they can get seed and scale capital to grow their business, whether it comes from public or private funding.

In addition to funding privileges, just like any other industry, more demand brings in more supply. Certain countries with a more established fintech market may have an advantage here with more demand from direct customers (B2C) or businesses (B2B).



**GOVERNMENTS AND REGULATORS NEED TO HAVE THE PERFECT BALANCING ACT BETWEEN ENCOURAGING INNOVATION, PROMOTING COMPETITION, AND CONSUMER PROTECTION THAT CREATES THE IDEAL BREEDING GROUND FOR FINTECH STARTUPS.**



And finally, another key factor that contributes to a country's fintech thriving unicorn ecosystem is policy and regulation. Governments and regulators need to have the perfect balancing act between encouraging innovation, promoting competition, and consumer protection that creates the ideal breeding ground for fintech startups.

**The USA leads undefeated with a robust fintech landscape**

The United States has managed to top the charts, undefeated by its arch-rival China - a notable achievement in the financial technology space.

North America's continued addition to fintech unicorns is driven by the extensive funding the sector has seen in the region. The number of VC deals in 2021, continued to skyrocket in Q2 2021 as compared to deals falling in Asia and Europe (Fig 3.).

Looking into the sector at a microscale, we see the main fintech unicorns populating the US ecosystem come primarily from sub-sectors like Insurance, Lending, Payments, Investing, Cryptocurrencies.

Some new additions to the Fintech billion-dollar family since 2020 include the blockchain startup, Ripple Labs which

helps financial institutions send money across borders instantly, reliably, and cost-effectively. Another newly turned fintech unicorn is BlockFi, which fashions itself as a crypto wealth manager, has grown significantly with monthly revenues jumping from \$1 million to more than \$45 million.

**Quarterly deals by continent, Q2'20 – Q2'21**

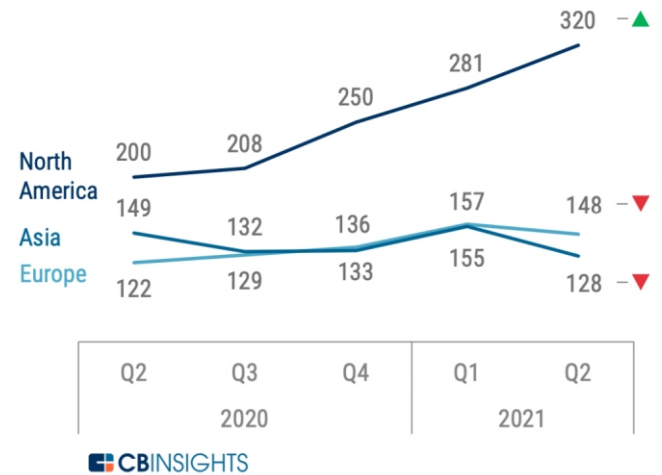


Fig 3. Quarterly VC deals by continent, Q2'20 - Q2'21, CB Insights

**China stands second on the 'Fintech Billion' leaderboard, it could risk falling behind with regulatory pushback**

China undoubtedly has one of the most vibrant fintech ecosystems. Leading firms like Ant Group and WeChat Pay (Part of Tencent) have valuations that dwarf their global peers. The market cap average of fintech in the billion-dollar club is \$43 billion, while the USA stands at approximately \$11 billion.

The Chinese fintech ecosystem is mainly driven by China's tech giants - Alibaba and Tencent - that stepped in, making financial services more accessible to everyone.

Syed Musheer Ahmed, Founder & MD of FinStep Asia, highlighted in an interview with CFTE, that the stratospheric growth witnessed by these behemoths can be attributed to the lower regulatory boundaries that existed at the time these companies entered the market, allowing the fintechs created by these big techs to grow untethered.

However, with regulatory watchdogs reining in on these tech giants, investors are now shifting their focus from the region's fintech giants and focusing on a new generation of upstarts in the industry. But the Chinese Fintech industry also now risks losing investments to the neighboring Indian economy, whose tech startups are poised for fintech growth.

**UK - Europe's fintech prodigy**

The UK deserves its place among the top 3 countries to have nested the most fintech unicorns. The country has built up the hottest fintech ecosystem in Europe primarily owing to the nurturing regulatory environment that has created the perfect hub that encourages large fintech raises as well as causes leading unicorns to multiply.

A prominent feature of the British fintech scene is that it ranks number 1 in open banking adoption in Europe giving fintechs standardized access to a wealth of user bank account data, which helps develop their services and attract investors.

The region's regulator, the Financial Conduct Authority (FCA) has also been conducive to fintech growth. It has been accommodative of industry changes, an example of this was seen when it extended the anti-money laundering requirements deadline for crypto trading.

As a result of a combination of these factors, business insider states that the fintech sectors unicorns constituted the largest chunk of tech unicorns in total (34%).



**AS THESE EMERGING FINTECH HUBS BUCKLE UP TO REFINE THEIR STRATEGY IT WILL BE INTERESTING TO SEE WHO PUSHES FORWARD TO GIVE BIRTH TO THE NEXT BREED OF FINTECH UNICORNS.**



#### **India rises to the top fintech hubs as it adds 4 new fintech unicorns in 2021 alone**

India's fintech companies are poised to become three times as valuable in the next five years and are predicted to reach a valuation of \$150-160 billion by 2025, according to a report by BCG and Ficci.

The countries success is riding on strong demand, an enabling regulatory environment, a growing pool of tech talent, and a booming investment ecosystem.

India's dynamic fintech landscape has seen innovations spurring in the last few years with **nearly 67% of all fintechs in the country being established in the last 5 years alone**. The main areas of growth in fintech billionaires have been payments and transactions as well as insurance.

India's largest fintech today is Paytm with a current valuation of \$25 billion, and there are several promising startups following its lead. In 2021, out of India's unicorns, 40% were from the fintech sector. Those who recently entered the billion-dollar league include CRED, who following its Series D funding round of \$215 million, saw its

valuation almost triple from \$800 million to \$2.2 billion. Digit Insurance, ChargeBee, and Groww were other rapidly accelerating fintech startups that ramped up their valuations in 2021.

#### **Where can we expect future unicorns to come from?**

Looking into the future of fintech we may see some reshuffling of the top fintech unicorn hubs on the leaderboard. As countries realise the economic benefits of a burgeoning fintech sector, they are building a healthy ecosystem with regulations that help promote further innovation. As we dive into the fintech rankings to find the next hidden gem, there are 2 main countries that popped up on the radar - Brazil and Malaysia.

Brazil, the second-largest fintech hub in Latin Amria is home to nearly 380 fintech companies. The country could be home to the soon to arrive fintech unicorns. The fintech ecosystem in Brazil seems ripe for innovation as the Central Bank of Brazil works towards boosting market competition and increasing the scope for financial education. It also recently began the implementation of open banking at the beginning of 2021, which could be conducive to the growth of several fintechs.

On the other side of the world, Malaysia's largely unbanked and underbanked population also makes it the perfect place for fintech opportunities. A key catalyst for fintech growth in the country is the high rates of smartphone penetration. Around 40% of the country's fintech sector currently comprises of digital payments and mobile wallet companies.

As these emerging fintech hubs buckle up to refine their strategy it will be interesting to see who pushes forward to give birth to the next breed of fintech unicorns.

**Huy Nguyen Trieu** is the Co-Founder of CFTE. He is also the CEO of The Disruptive Group, a business builder and advisory firm in innovation and finance, and Venture Partner at Mundi Ventures, an early-stage VC fund in Fintech and Insurtech. He believes that in a world led by technology, we shouldn't forget the importance of people, which is why he co-founded CFTE to help people improve their skills and find opportunities.

Prior to setting up CFTE, he was a Managing Director at Citi, and previously at Royal Bank of Scotland and Société Générale. Before banking, he was the CEO of Ukibi, a VC-funded startup in the US. He is a frequent keynote speaker in Europe and Asia, likes to teach and share with students and entrepreneurs, and is regularly quoted in articles on innovation and finance.

He writes the blog Disruptive Finance, is an Entrepreneurship Expert at Oxford Said Entrepreneurship Centre and a Fintech Fellow at the Centre for Global Finance and Technology at Imperial College. He was also a member of ESMA's Consultative Working Group for financial innovation and a founding member of the Asian SuperCharger, one of the largest Fintech accelerators in Asia.

He is a graduate from MIT (US), École Polytechnique (France) and Ecole des Ponts et Chaussees (France). He is married and a happy father of 3 daughters.

# GLOBAL INSIGHTS

India has consistently focused on reforms for attracting investments and encourage manufacturing. The government's favourable policy regime and robust business environment has ensured that foreign capital keeps flowing into the country. It has taken many initiatives in recent years such as relaxing FDI norms across sectors like defence, PSU oil refineries, telecom, power exchanges, and stock exchanges, among others.



SAYED VARIS

CEO

Fincasa (Dubai, United Arab Emirates)

## FDI OUTLOOK ON INDIA

It might be difficult to forecast a country's economic growth and especially Foreign Direct Investment in the middle of a crisis or a pandemic. However, pandemic is a short-term challenge, while investment and economy are long-term opportunities - which is what we should focus on.

If the purchasing power of each of the 1.3 billion people could be increased by a dollar per year, India's Gross Domestic Product (GDP) will jump accordingly. There is no reason why it should not happen. So, we should not lose hope. One way of doing it is to boost the flow of Foreign Direct Investment (FDI).

While the COVID-19 pandemic related stories continue to dominate the news headlines almost every day, people tend to forget the underlying strength of our economy, especially the macro economic fundamentals which remains sound as we speak. For a moment, let's shift our focus to our economy, for a change and see what's in store for us as a country.

The International Monetary Fund (IMF) in its latest edition of World Economic Outlook in April this year raised its growth forecast for Indian economy to 12.5 per cent for fiscal year 2021-22, the highest among emerging and advanced economies. GDP growth for FY23 is pegged at 6.9 per cent. However, this was done before the latest spike in COVID-19 cases. IMF might revise the forecast again in October 2021, to re-assess the growth.

**Foreign Direct Investment** Let us now look at the FDI numbers to assess the outlook. Apart from being a critical driver of economic growth, FDI has been a major non-debt financial resource for the economic development of India. Foreign companies invest in India to benefit from relatively lower wages, tax holidays, special incentives, etc.

The Make-in-India programme combined with ease of doing business has encouraged multi national companies to set up assembly facilities in India. India now ranks 63rd out of 190 countries in World Bank's Ease of Doing Business 2020 report.

The COVID-19 pandemic is resetting the economic strategy of many countries across the world. India too is going through such a phase, and FDI will play a significant role in this strategy as an important source of finance for economic development.

India has consistently focused on reforms for attracting investments and encourage manufacturing. The government's favourable policy regime and robust business environment has ensured that foreign capital keeps flowing into the country. It has taken many initiatives in recent years such as relaxing FDI norms across sectors like defence, PSU oil refineries, telecom, power exchanges, and stock exchanges, among others.

In the first nine months of 2020-2021 financial year, total FDI inflows amounted to US\$67.54 billion, a 22 percent year-on-year increase. This tells us that India's attractiveness among foreign investors has strengthened, despite the COVID-19 pandemic.

FDI equity inflows in India stood at US\$51.47 billion in the same time. Data indicates that the computer software and hardware sector attracted the highest FDI equity inflows of US\$24.39 billion, followed by the construction (infrastructure) activities with US\$7.15 billion, service sector receiving US\$3.86 billion and trading sector receiving US\$2.14 billion investment.

In the first nine months of the 2020-21 financial year from April 2020 to December 2020, India received the highest FDI equity inflows from Singapore (US\$15.72 billion), followed by the US (US\$12.83 billion), the UAE (US\$3.92 billion), Mauritius (US\$3.48 billion), Cayman Islands (US\$2.53 billion), the Netherlands (US\$2.44 billion) and the UK (US\$1.83 billion).

In the first nine months of the 2020-21 financial year between April 2020 and December 2020, Gujarat received the highest FDI equity inflows of US\$21.24 billion, followed by Maharashtra (US\$13.64 billion), Karnataka (US\$6.37 billion) and Delhi (US\$4.22 billion).

Indian government has taken determined measures over the years to provide an enabling and investor friendly FDI policy. In March 2021, the parliament approved a bill to increase foreign investment ceiling in the insurance sector from 49 percent to 74 percent. The same month, the Defense Ministry stated that a total of 44 Indian companies, including public sector units, have received approvals related to FDI for joint production of defense items with foreign organizations.

In December 2020, changes in the guidelines for the provision of Direct-to-Home (DTH) services have been approved by the Union Cabinet, enabling 100 percent FDI in the DTH broadcasting services market.

The FDI reforms have borne positive results, as is evident from the fact that total FDI inflows grew by 55 percent, ie, from US\$231.4 billion in 2008-14 to US\$358.3 billion in 2014-20, according to a research conducted by Ernst & Young (E&Y), commissioned by Confederation of Indian Industries (CII).

India's commitment to attracting FDI can be evidenced from several developments. As per the OECD FDI restrictiveness index, India's overall FDI restriction levels have come down from 0.42 to 0.21 in the last 16 years.

"The country has made considerable progress in opening up different sectors of the economy including mining, manufacturing, construction, electricity and services. It ranks ahead of other emerging markets in Asia such as Indonesia, Malaysia, Philippines and Vietnam and even scores better than New Zealand and China," the E&Y-CII report said.



**SINCE INDIA HAS THE SECOND LARGEST POPULATION IN THE WORLD, THE COUNTRY'S ECONOMY WILL CONTINUE TO GROW AS NORMAL ECONOMIC ACTIVITIES WILL ENSURE INCREASED CONSUMPTION AND INVESTMENT IN NEW FACILITIES, FACTORIES AND INDUSTRIES WILL CONTINUE TO HAPPEN DESPITE CHALLENGES.**



The post-COVID business environment presents much wider and deeper opportunities for foreign capital. The grounds have already been set up, as a result of the Government's concerted drive towards greater digitization.

India might have been ahead of the global curve both in terms of digital penetration and access to mobile first technologies. Even during the lockdown Reliance Jio raised US\$20 billion in tech FDI, attracting investment from Facebook, Google, Intel, Qualcomm, apart from financial investors like Silver Lake, General Atlantic, KKR and several sovereign wealth funds.

From a global perspective, the future investment outlook of the respondents in the research is encouraging, with more than 80 percent of them planning to make investments in the next 2-3 years. Encouragingly, for the respondents, India is amongst the top 3 choices for future investments in the next 2-3 years. While choosing India as their favored destination, market potential, skilled workforce and political stability are the three biggest attractions, it said.

"At the same time, it is yet to reach the FDI openness levels of OECD countries (OECD average is at 0.06) or even Vietnam (0.13) or Brazil (0.08). Given the relentless focus of the Government on FDI and other economic reforms – for instance, the major structural reforms kickstarted in agriculture in 2020 - should further improve India's score in FDI attractiveness."

Although most people are focusing on post-pandemic economic revival, my view is that the Covid-19 virus is here to stay. The virus is not planning to leave so it is indeed up to us to either survive through this pandemic as if it is a normal scenario like the flu and common cold or give up and keep blaming the Covid-19 virus for missed opportunities. The key would be to keep the infection rate under control and continue to invest and do business as usual, of course, with adequate protection and social distancing.

Since India has the second largest population in the world, the country's economy will continue to grow as normal economic activities will ensure increased consumption and investment in new facilities, factories and industries will continue to happen despite challenges.

Now the key is to identify the development bottlenecks and see what the government needs to do to attract foreign investment in the coming months and years.

We feel that going forward, government should renew its emphasis on infrastructure development and faster clearances. In terms of trade policy reforms, investors would like to see a faster turnaround time for value added production in regional / global supply chains, improved cargo handling and trade facilitation measures.

The vastly improved regulatory/policy environment in India will also play a great role in boosting FDI inflows in the coming years. The government's recent announcement of an ambitious performance linked incentive scheme (PLI) received a great response from 22 mobile manufacturers and 40 electronic component manufacturers.

The selected companies will produce mobile phones worth US\$153 billion in India over the next five years, of which US\$93 billion will be exported. Buoyed by the success of this scheme, the government expanded the PLI scheme in 10 more sectors, with a cumulative outlay of US\$20 billion over the next five years.

The CII-EY FDI survey reveals an optimistic picture in the mind of the investors as roughly 80 percent of them confirm their plan of investing in the next 2-3 years. They also rank India among the top three countries confirming the point that the investors find India an attractive destination in terms of the capacity expansion, digital transformation and research and development. Almost a quarter of respondents are planning to invest a large amount i.e. more than US\$500 million.

There are several reasons one should factor in for assessing the FDI outlook. Slashing the corporate tax rates to 22 percent for all companies and 15 percent for new manufacturing companies makes India extremely competitive against many of the OECD and BRICS countries and neighbours like China, Indonesia and Philippines. Over a medium term, the lower rates will reduce the cost of capital and catalyze investments.

Secondly, India's demographic dividend is going to continue even after 2050 and provides a long-term opportunity for the investors without worrying about the increasing wage pressures. India has labour force of 500.9 million.

Thirdly, the economic growth in the Special Economic Zones monitored by the World Bank reached 14.7 percent against a global average of 3.14 percent due to the infrastructural advantages they enjoy.

Over the last 10 years, the country witnessed a 6.8 percent rise in GDP with FDI increasing to GDP at 1.8 percent. Due to these factors, India is expected to attract FDI of US\$120-160 billion per year by 2025, according to CII and EY report.

Moreover, the new Global Tax Law, which has been endorsed by 130 countries, could boost FDI into India. The new rules on where multinationals are taxed aims to divide the right to tax their profits in a fairer way among countries as the emergence of digital commerce had made it possible for big tech firms to book profits in low tax countries regardless of where they money was earned.

Most of the countries negotiating a global overhaul of cross-border taxation of multinationals have backed

plans for new rules on where companies are taxed and a tax rate of at least 15 percent, they said on Thursday after two days of talks.

The Paris-based Organisation for Economic Cooperation and Development (OECD), said a global minimum corporate income tax of at least 15 percent could yield around \$150 billion in additional global tax revenues annually. It said 130 countries, representing more than 90 percent of global GDP, had backed the agreement at the talks.

New rules on where the biggest multinationals are taxed would shift taxing rights on more than \$100 billion of profits to countries where the profits are earned.

Once it becomes a reality, it will allow investors with UAE based funds to invest in India directly without having to be routed through an offshore tax haven. With lower manufacturing costs, India offers a great benefit to foreign investors with higher rate of returns. This looks like an optimistic opportunity for the Indian government to capitalize on because there are a lot of investors from UAE who would like to invest in India.

These factors are strong enough for us to remain extremely optimistic of India's bright future and to become a US\$5 trillion economy in the coming years. So, India might be down now, but not out! India will bounce back very strongly once the pandemic subsides.

**Varis Sayed** is an Entrepreneur, Investor and Founder of Fincasa Capital, Fincasa Ventures, Medley Capital and Key Investments. He has more than 15 years of global experience, from startups to private equity. He promotes Startups, Foreign Direct Investment (FDI), Investment Migration & Cross Border Investments.

He serves as board member/ adviser/ co-founder in Finco Capital, FiditiaX, Seguro group, Arlo Associates, Prestige insurance brokers, Top Trading, JMSI and a few more. These companies are based in UAE, USA, Canada, UK, Germany, Greece, Cyprus & Singapore.

He is a member of

- Canadian Business Council of Dubai,
- Intelak Hub -Principal partner of Dubai tourism,
- WBAF- An affiliated partner of G20 Global partnership for financial inclusion,
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He holds a Master's Degree in Commerce & Business Administration from M.S.U (Vadodara). Management Development Program from IIM-Indore. He is a CFP (Certified Financial Planner). Other 15 certificates in Wealth Management, Investment Analysis & Portfolio Management, Derivatives Market, Capital Market, Financial Market, Securities Market, Commodities Market, Mutual Funds Distribution, Insurance Advisory, CISI-UAE Rules & regulations for emirates securities & commodities.

AsiaOne Magazine featured on CNBC TV18 has awarded him as the youngest entrepreneur of your 2020-21.

# GLOBAL INSIGHTS



“Ditching the 60:40 portfolio and any variation of it would be a huge step in the right direction for helping investors create better portfolios that align with their goals.”

HEETEN H. DOSHI, CFA

Managing Partner

Doshi Capital Management, LLC  
(New Jersey, United States)

# HOW THINKING LIKE EINSTEIN CAN MAKE YOU A BETTER INVESTOR



In the Early 1900s, Albert Einstein upended science and gave the scientific community a new perspective on time and space. For centuries, scientists followed Isaac Newton's theory that space and time were fixed. Einstein showed that time and space were not separate, but intertwined, like two sides of the same coin. So, what does this have to do with investing?

For so long investors have adhered to the idea of investing in a balanced portfolio, more commonly known as the 60/40 portfolio. Investors have always succumbed to a long standing, but outdated view on constructing investment portfolios. In following this rigid mentality, investors have always focused on minimizing risk alone and not on maximizing the risk-adjusted return of a portfolio. I'm no Einstein, but my goal is to convince you and the investing community that risk and return are intertwined, just like time and space. By changing the way investors look at risk and return, we can move on from the ridiculous concept of a balanced portfolio.

For years as a portfolio manager, I've told family, friends and clients about how absurd this framework is, and now I'm telling you. It's a ubiquitous and silly rule that makes no sense for most investors. And yet that's the "go to" asset allocation model that investment advisors have used for decades, so-called balanced portfolios: 60% in equities and 40% in bonds and it doesn't stop there.

Ditching the 60:40 portfolio and any variation of it would be a huge step in the right direction for helping investors create better portfolios that align with their goals.

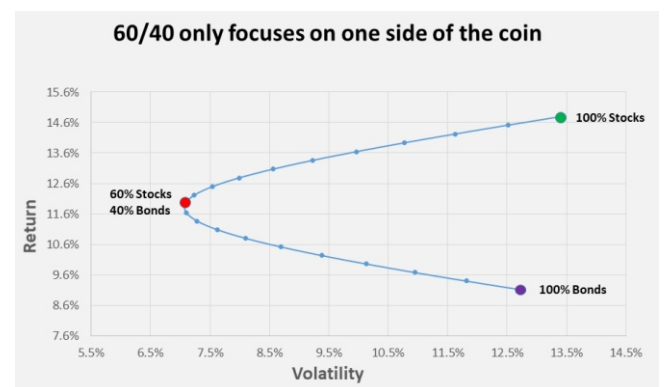
I'm going to break it down and explain why.

## The 60:40 portfolio focuses on minimizing risk and forgets return

This is the problem with this type of portfolio. It doesn't focus on the investor's risk-adjusted return. Instead, it treats risk and return like two mutually exclusive natural forces, just like how space and time was treated before Einstein's theory of relativity.

What's frustrating, is that unlike physics, this should be a simple concept for investors to grasp. We know that it's important not to take unnecessary risks. But in life you need to take risks if you ever want to progress and achieve your goals. Taking risk is an important experience in life. Sometimes you need to take a risk if you want a decent return.

Take a look at the chart below. The top part represents the efficient frontier. It has been constructed by combining different combinations of equities (I've used the SPDR S&P 500 ETF Trust) and bonds (Here it's the iShares 20 Plus Year Treasury Bond ETF) over the past decade.



As you can see, the 60:40 portfolio sits right at the furthest most tip of this efficient frontier. Out of all the combinations of equities and bonds that an investor could choose, this portfolio minimizes risk. Source: Factset

Common sense tells us, that as you get older, you should take less risk. The famous founder of Vanguard, John Bogle, once said,

"My favorite rule of thumb is to hold a bond position equal to your age-20 percent when you are 20, 70 percent when you're 70, and so on-or maybe even your age minus 10 percent. There are no hard-and-fast rules here."

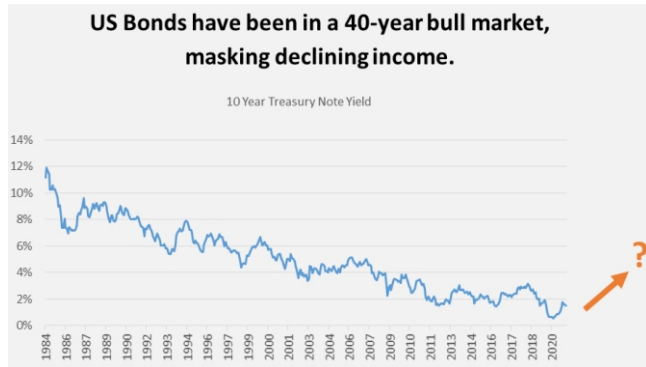
However, this quote makes no sense. It's bad advice. The chart shows that for the same risk you could have a much better return over the last decade. It demonstrates that increasing your bond allocation as you get older is not prudent, especially if you still have a long time horizon. For the same level of risk, you could be at the top end of the curve, getting a much higher return! Over the past decade, holding 100% bonds is just as risky as holding 95% equities! Chew on that for a while.

You are going to unnecessarily miss out on returns that could help you reach your investment goals. If you are a

parent, this could mean not being able to pay your children's tuition fees. It could also mean you might never be able to own your own home, or even be able to retire.

If your time horizon is 20 years plus, then why should you minimize risk and rigidly hold onto a 60:40 portfolio? It defies logic.

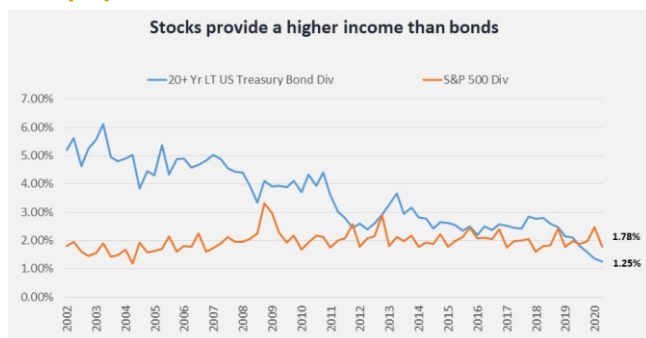
**The problem is we have been in a 40-year bond bull run**



If you look at the chart below, Treasury yields have been trending downward for the last 40 years. This bond bull market has acted as a tailwind that has masked the declining income that this asset class offers. The rise in bond prices has in other words, offset lower yields.

To make matters worse, with interest rates so low, there are now considerable convexity issues across the US yield curve. Even a moderate rise in yields, could result in an extreme change in bond prices (a.k.a. volatility). The best-case scenario right now is that yields stay low, while bonds offer little income and merely act as a drag on portfolio returns. Source: Factset

**Let's play devil's advocate**

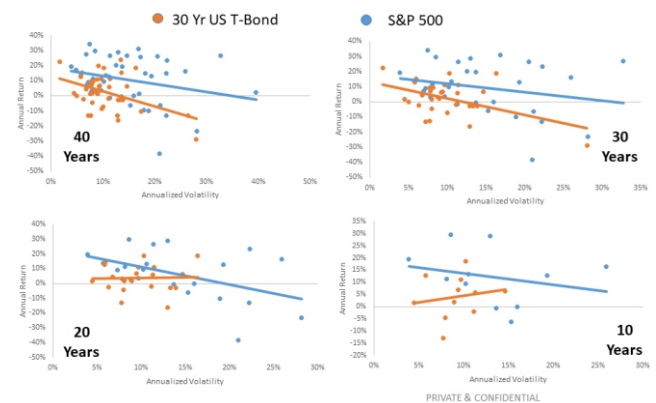


You might be thinking, I don't invest in bond just for safety, I invest for the income. The other point to note is the contrast between equity yields and U.S. Treasury yields over the last 20 years. You can clearly see the convergence between the yields these two asset classes offer. Source: Factset

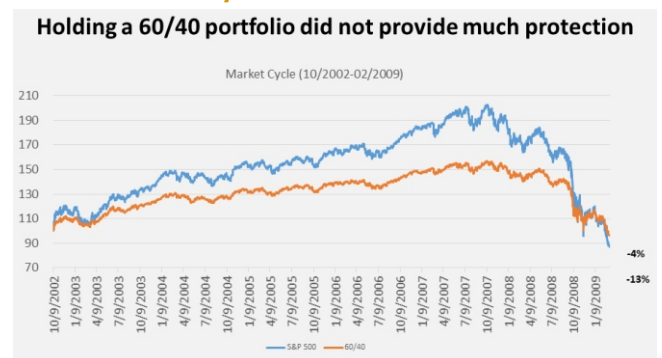
This closing gap clearly indicates that the risk landscape has changed over this twenty-year period. So why on earth would you want to stick to a rigid 60:40 equity-bond allocation during this period? It doesn't make sense. Not only are investors avoiding potential returns that are

well within their risk budget, but they are also failing to adapt dynamically to the constantly shifting risk environment that they face. There are now significant convexity issues with interest rates so low that really need to be addressed. Sticking to a 60:40 portfolio right now is actually risky.

The chart below shows how volatility in the bond market has gradually increased over time. The risk-return trendline for bonds has shifted from being downward sloping to upward sloping as the time period is shortened. Over the last decade, higher returns in bonds have coincided with higher volatility. This is not a good characteristic of an asset class that is meant to lower risk.



**Where is the safety net?**



When you look over the last 20 years, you can see that over two full market cycles, adopting a 60:40 portfolio would not have helped investors as shown in the two charts below. It would have failed to meaningfully protect investors against market declines during the financial crisis (first chart) and hurt investors by giving up the opportunity to earn alpha through the pandemic (second chart).



From the beginning of the bull market starting in 2009 through the bottom of the pandemic low, the S&P 500 index still outperformed the 60/40 portfolio by over 100%! That is a lot of alpha to give up.



**NOT ONLY ARE INVESTORS AVOIDING POTENTIAL RETURNS THAT ARE WELL WITHIN THEIR RISK BUDGET, BUT THEY ARE ALSO FAILING TO ADAPT DYNAMICALLY TO THE CONSTANTLY SHIFTING RISK ENVIRONMENT THAT THEY FACE. THERE ARE NOW SIGNIFICANT CONVEXITY ISSUES WITH INTEREST RATES SO LOW THAT REALLY NEED TO BE ADDRESSED. STICKING TO A 60:40 PORTFOLIO RIGHT NOW IS ACTUALLY RISKY.**

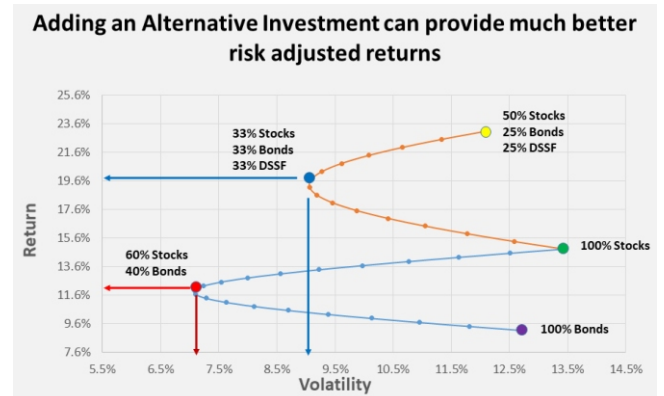


**So what's the solution?**

Investors need to start thinking more like Einstein and start thinking differently. They need to be nimbler and more open-minded, and stop thinking in simplistic asset allocation buckets that consist of just equities and bonds. Both asset classes are extremely diverse and there are plenty of opportunities to exploit. Sticking rigidly to a 60:40 allocation is not only just an oversimplification, but it glosses over the diversity and opportunities that present themselves to active investors.

For instance, if you added the fund our firm manages to a plain-vanilla equity and bond portfolio, the risk-return characteristics of your portfolio would look very different. In fact, the entire efficient frontier would shift upwards, offering investors much better risk-adjusted returns. By adding our strategy, an investor would increase their returns by 8%, from 12% to 20%, by adding only 2% more volatility.

That is a big jump in risk adjusted returns for an investor's portfolio.



You therefore need to treat risk and return as part of the same dimension, rather than mutually exclusive events. Minimizing risk makes no sense if it comes at the cost of your future returns and prevent you from reaching your goals. Likewise, pursuing the highest returns with little regard to risk is just as foolish.

If you have rigidly stuck to a 60:40 portfolio, then looking at this chart you might feel time has passed you by and you are behind relative to where you could be. It's annoying and frustrating, but the story doesn't end there. Even on this new efficient frontier, you still need to carefully consider the right risk-adjusted returns that suit your investment goals. It's always important to look at your overall portfolio. It's never too late to make changes and right the course of your ship. Perhaps it's time to reevaluate your portfolio?

**Heeten H. Doshi, CFA**, is the founder of Doshi Capital Management and the portfolio manager of the Doshi Systematic Strategy Fund. Previously, Heeten was a senior equity strategist for Brown Brothers Harriman's Portfolio Strategy team, where he focused on the US economy and equity market. Prior to that, he worked at Morgan Stanley as a research analyst where he conducted deep-dive fundamental company analysis and at Lehman Brothers where he was a fixed income derivatives trader. Heeten has received master's degrees from Babson College and the University of Illinois. He has received his bachelors from Rutgers University and is a CFA charter holder.

**Doshi Capital Management** is an independent investment management firm founded in 2011 based on the fundamental principle that investors should be able to generate positive absolute returns in any market environment. Doshi Capital Management relies on its decades of extensive research into understanding the different market cycles and the cause-and-effect relationships that drive asset prices. Our strategies seek to capture returns in both up and down markets, while minimizing portfolio volatility and downside risk.

# GLOBAL INSIGHTS



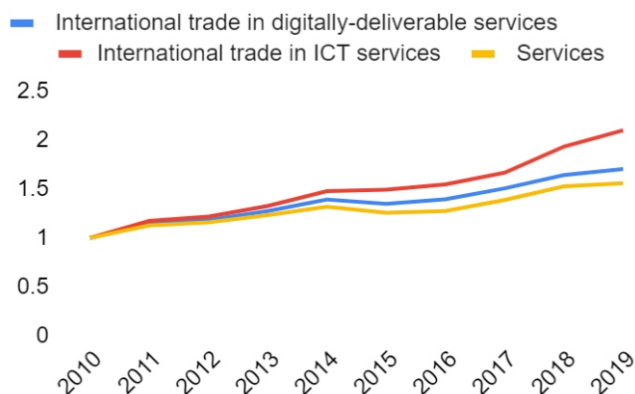
“While digital innovations offer opportunities in terms of increased customer participation in the market and greater efficiency, technological advancements alone do not guarantee economic growth. It is equally important to create an enabling environment for digital trade to grow and thus positively influence economic growth.”

DR. BADRI NARAYANAN GOPALAKRISHNAN, PhD.  
Founding Director  
Infinite Sum Modelling LLC  
(Seattle, WA, USA)

# DIGITAL TRANSFORMATION AND INTERNATIONAL TRADE

## Introduction

The rapid development of digital technologies has completely transformed the International Trade landscape. The rise in digital technologies, such as the Internet of Things, additive manufacturing (3D printing), and blockchain, has not only changed the way customers and companies execute transactions, but has also changed the relationship between the two. Fig 1 shows the growth of International Trade in digitally deliverable services, ICT services and Services.



Digital Transformation has made it easier to access international markets, thereby creating many opportunities for individuals, entrepreneurs, and businesses around the world. For instance, cross-border online shopping as part of the total online shopping increased from 15% in 2015 to 21% in 2017.

While digital innovations offer opportunities in terms of increased customer participation in the market and greater efficiency, technological advancements alone do not guarantee economic growth. It is equally important to create an enabling environment for digital trade to grow and thus positively influence economic growth.

## Emerging Digital Technologies

Technological advancements are at the center of the rapidly evolving digital economy. Advances in computing power, the communications revolution, and the rise of big data have contributed significantly to the rise of digital technologies.

**The exponential rise in bandwidth, computing power, and digital information has given rise to the following digital innovations.**

### 1. Internet of Things

The IoT can be defined as a “global infrastructure for the information society, enabling advanced services by interconnecting (physical and virtual) things based on existing and evolving interoperable information and communication technologies”.

On the production side, IoT can reduce the cost of global trade by increasing the efficiency of shipping and transport. It does so by reducing the number of goods lost in transit and providing shipment tracking systems to optimize routes to use shipping containers efficiently. Meanwhile, on the consumer side, it can improve the quality of life by allowing them to track their health, fitness and much more. According to the estimates, the global market for IoT is expected to increase from \$151 billion in 2018 to \$ 1,567 billion by 2025 (IoT Analytics, 2018)

### 2. Artificial intelligence (AI)

Artificial intelligence (AI) is “the ability of a digital computer or computer-controlled robot to perform tasks commonly associated with intelligent beings. AI can significantly reduce transportation and logistic costs.

GPS has made it far easier to travel from one place to another. The use of advanced robotics combined with AI algorithms can substantially reduce storage and distribution costs. Large e-commerce firms already use AI and robotics to optimize their storage and distribution networks.

Artificial intelligence (AI) is expected to play a prominent role in the public health response against Covid-19. AI tools and technologies can be employed to manage every stage of the crisis and its aftermath. Several different AI-based measures are being used worldwide to control the spread of the virus, ranging from controlling the movement of people to mapping the spread and potential reach of the disease.

Since the onset of the pandemic, AI models have been effectively used for detection and quantification of COVID-19 cases, reducing the burden of medical practitioners & healthcare staff, curbing the spread of misinformation, and developing the vaccine.

Studies show that AI models combined with CT imaging and clinical information can be used effectively for accurate and early identification of Covid-19 cases. Implementation of such technologies can have a significant impact in countries with a low doctor population ratio.

### 3. Additive manufacturing (3D printing)

Additive manufacturing is the process of making a three-dimensional solid object of virtually any shape from a digital model. McKinsey & Company (2013) has estimated the economic impact of 3D printing to be between US\$ 200 billion and US\$ 600 billion by 2025. 3D printing can reduce transport and logistics costs by reducing the production chains as it allows complex units to be produced in one unit. On the other hand, it can reduce trade in finished

goods to some extent, because anyone who has a 3-D printer can manufacture many things, without having to import -by reducing the dependence on comparative advantage. An ING study estimates that trade may fall by 40% if 3D printing technologies may evolve to the extent of manufacturing larger commodities.

#### 4. Blockchain

A blockchain is a tamper-proof, decentralized and distributed digital record of transactions. The decentralised and fairly transparent blockchain offers the possibility of using smart contracts. According to WTO estimates, blockchain is expected to reach a global value of \$3 trillion globally by 2017-2030.

Impact of Digital Transformation On International Trade  
International trade today is driven by data and technological advancements. The average international bandwidth increased from 3,700 Mb/s in 2000 to 1.2 million Mb/s in 2015. Between 2005 and 2021, global internet traffic has increased 127 folds. These developments in the past few years have completely changed the face of international trade.

- a) According to WTO estimates, the value of e-commerce transactions totaled US\$ 27.7 trillion in 2016.
- b) Digital transformation has reduced the international trade cost by 15% between 1996 and 2004. It is further estimated that trade will grow by at least another 1.8 to 2 percentage points until 2030 due to falling trading costs.
- c) MSMEs and firms for developing countries stand to gain a lot from these lowered costs. It has been estimated that the contribution of developing countries in global trade could grow from 46% in 2015 to 57% by 2030.
- d) UNCTAD estimated the global value of e-commerce to be \$29 trillion in 2017, representing a 13% growth since 2016. B2B e-commerce and B2C e-commerce were valued at \$25.5 trillion and \$3.9 trillion respectively, in 2017. Fig 2 shows the E-commerce sales of the top 10 countries in 2017.



#### Rules And Regulations Concerning Digital Trade

The pace of digital transformation has exceeded the pace of inclusion of such changes in the WTO Framework. The inability of the General Agreement on Trade in Services and The General Agreement on Tariffs and Trade in providing a legal definition of the term “e-commerce” or the term “digital trade” has created legal uncertainties about the treatment of digital trade and e-commerce.



**THE PACE OF DIGITAL TRANSFORMATION HAS EXCEEDED THE PACE OF INCLUSION OF SUCH CHANGES IN THE WTO FRAMEWORK. THE INABILITY OF THE GENERAL AGREEMENT ON TRADE IN SERVICES AND THE GENERAL AGREEMENT ON TARIFFS AND TRADE IN PROVIDING A LEGAL DEFINITION OF THE TERM “E-COMMERCE” OR THE TERM “DIGITAL TRADE” HAS CREATED LEGAL UNCERTAINTIES ABOUT THE TREATMENT OF DIGITAL TRADE AND E-COMMERCE.**



The World Trade Organization (WTO) e-commerce moratorium bars WTO members countries from applying customs duties on production, distribution, marketing, sale or delivery of goods and services by electronic means. With the substantial increase in online trade, the net importers of digital products are losing tariff revenues due to the e-commerce moratorium. According to UNCTAD, the potential revenue loss to developing countries due to the moratorium was USD 10 billion in 2017 with India being the most affected country followed by China, Thailand, Mexico and Paraguay.

In order to retain tariff revenue on electronically traded goods, countries around the world have framed new laws to tax imports of digital products and services. The Australian government introduced GST on imports of digital products and services in July 2017 which states that non- non-Australian suppliers of digital products and services to Australian consumers will be charged with Goods and Services tax provided these supplies are above 75,000 Australian Dollars. The Indian Government too initiated compulsory registration under GST for foreign companies providing Online Information Database Access and Retrieval services (OIDAR services) in 2017.

The imposition of tariffs by one country to improve its own welfare usually results in a Trade war thereby significantly decreasing the volume of trade. This results in a reduction in the welfare of both countries. Well negotiated Regional Trade Agreements can help eliminate such conflicts and create harmony among trading countries.

In the absence of a broadly accepted multilateral regime under the World Trade Organization (WTO), Regional Trade Agreements (RTAs) have tried to address various regulatory issues arising from the increase in digitally traded goods and services. An increasing number of RTAs contain provisions regarding market access, Cross-border information flows, Personal information protection, Online consumer protection and much more. As of June 2019, 84 RTAs included e-commerce provisions as standalone chapters or dedicated articles.



**IN ORDER TO CREATE AN INCLUSIVE DIGITAL ECONOMY, POLICIES MUST BE AIMED AT REDUCING THE DIGITAL DIVIDES AND STRENGTHENING THE ENABLING ENVIRONMENT FOR VALUE CREATION. WE MUST SUPPORT THE ADOPTION AND ENFORCEMENT OF RELEVANT LAWS AND REGULATIONS THAT PROMOTE VALUE CREATION AND CAPTURE IN THE DATA-DRIVEN DIGITAL ECONOMY.**



### Challenges

Digitalisation has led to the emergence of new trade policies issues, such as differing regulations among nations concerning data flows. It is essential to understand the nature and the magnitude of such changes, to create an environment that nurtures innovation and promotes digital trade in goods and services.

Below are a few of the challenges that need to be addressed going forward.

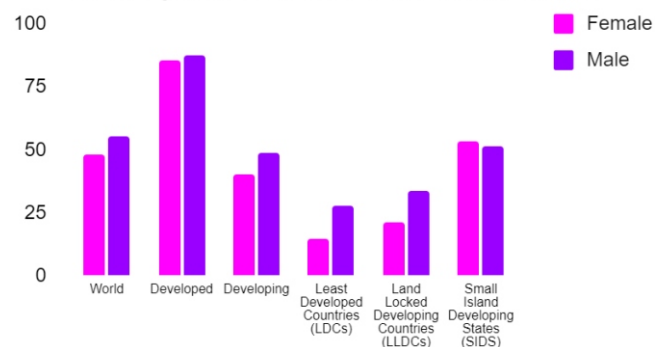
### Digital Divide

Digital Divide, in terms of access to broadband services and e-commerce platforms, quality of infrastructure and legal

framework, remains wide between developed and developing countries. About 90% of the population in advanced economies have access to mobile broadband in comparison to just 40% and 20% in developing countries and LDCs (Least Developed Countries) respectively.

A similar divide exists within countries. For instance, internet penetration is higher for men as compared to women in many countries. The gender divide is as high as 32.9% in low developed countries and 25.3% in sub-Saharan Africa (Fig 3). Moreover, small firms are not fully prepared to capture the many opportunities arising out of digitalisation. Cost of membership and high commission rates on sales are some of the barriers faced by small firms while engaging in Digital Trade.

Internet penetration rates for men and women



### Market Concentration

Market concentration is an unintended consequence of digitalisation. Forces such as scales without mass and high switching costs (cost involved in moving to another platform) make it harder for the new entrant to enter the market.

Practices such as predatory pricing and bundling might not face antitrust scrutiny, as they may result in lower prices for consumers in short run until competitors are driven out of the market.

### Data Privacy

Data privacy is one of the major concerns of the digital economy. A 2019 survey conducted by the Centre for International Governance Innovation (CIGI) and Ipsos, in collaboration with UNCTAD and the Internet Society, found that 78 percent of Internet users in 25 economies were at least somewhat concerned about their privacy online. The lack of data protection legislation can reduce confidence in a data-driven economy, and therefore can negatively impact trade prospects.

### Affordability

Affordability of basic Internet connection and relevant devices is an important factor determining the rate of growth of new people coming online. Only 40% of the Low-to-Middle-Income Countries have affordable Internet access. For instance, The cost of Fixed Broadband as a % of monthly

GNI per capita is 4.73% in America in comparison to 18.6% in Africa. Similarly, the cost of mobile data and voice usage is as high as 25.48% in Low-income countries as compared to just 0.95% in high-income countries.

### Policy Recommendation

In order to facilitate the rapid growth of digital trade, Policymakers all around the world must implement policies that enable inclusive growth in a data-driven and knowledge-based Economy. A few measures that can be undertaken to promote technological progress and market integration are:

#### 1. Competition Policy

The emergence of tech giants such as Amazon, Alibaba and Google present new challenges for competition policy. The approach of the consumer welfare standard in antitrust policies must be updated to ensure a level playing field for smaller firms.

#### 2. Data Privacy Protection

Lack of data protection legislation can reduce consumer's confidence in a data-driven economy. The OECD's Guidelines on the Protection of Privacy and Transborder Flows of Personal Data can serve as the basis for country-level national legislations. It can be used to harmonize policy legislation across countries, thereby prevent any unnecessary barriers to the cross-border flows of data.

#### 3. Cybersecurity

Cybersecurity or internet security is one of the major concern of a digital economy. Ensuring the safety of IT products sold in the home market and encouraging domestic IT operators to protect their systems through national

security standards are some of the measures that can be undertaken to prevent cyber-attacks and promote the benefits of a cyber-enabled world.

### Conclusion

Technology creates both opportunities and challenges. Therefore, we must understand how to control new technological innovations to ensure that the trading system promotes growth development and job creation.

International cooperation and progressive policies are essential to derive more benefits from digital trade and promote digital inclusion. In order to create an inclusive Digital economy, Policies must be aimed at reducing the digital divides and strengthening the enabling environment for value creation. We must support the adoption and enforcement of relevant laws and regulations that promote value creation and capture in the data-driven digital economy.

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# GLOBAL INSIGHTS

“Human capital is the fundamental source of economic well-being of any organization, industry, sector and nation as a whole. It is a source of both increased productivity and technological advancement.”



CHARUL C JAITLEY

Co-Founder and Managing Partner

Māiti Group (Dubai, United Arab Emirates)

## HUMAN CAPITAL IN THE ERA OF DIGITIZATION

**H**uman capital is the fundamental source of economic well-being of any organization, industry, sector and nation as a whole. It is a source of both increased productivity and technological advancement.

Human capital is critical to people's development, from skill and knowledge enhancement, to overall improvement of quality of life and income.

As organizations progress, the HR function continues to keep pace and evolve.

Over the last two decades we have noticed significant transformation in the Human Capital culture within organizations across the globe.

**However, the pandemic last year has served as an inflection point and has jolted the leaders around the world to have laser focus on digitization and increased investments in innovation.**

While there are ample signs of rapid digitalization ahead (and ongoing!), we must also weigh in the challenges to achieving genuine transformation.

As we all have heard at some point **“Change is Inevitable, Growth is Optional”**

How the external circumstances around us change, will be beyond our control. However, what we learn from these changes and align ourselves to leverage them in our advantage, is what decides the overall outcome.

And one key factor that cannot be overlooked anymore, is the impact of technology on individuals, teams, and organizations.

Different organizations have responded and adapted to the post covid work life in varying degrees. Each will be unique to their own realities and there cannot be a cookie cutter approach in finding the right solutions. It will be a combination of different factors, depending on the culture, leadership, strategy, and similar important factors for the organization.

However, a good review of the following important aspects, will serve as a good starting point in taking stock of what should change and why.

### Employee Well Being

HR teams need to ensure employee safety and well being. However, in this uphill climb due to Covid restrictions, every manager/ leader in the organization needs to align and focus on prioritizing the upkeep of individual wellbeing, for the overall positive health of the organization.

Common challenges nowadays are childcare issues, technology glitches, space and equipment challenges. Offering assistance with these can alleviate unnecessary stress and is extremely crucial to ensuring happier and productive teams.

Simple steps like consistent and effective communication by Leaders and Line managers to outline priorities, clarify goals and encourage employees to take care of themselves, will make them feel appreciated and valued.



**HOLISTIC APPROACH IN SUCH TIMES OF CHANGE, WILL ENABLE ORGANIZATIONS TO RESPOND TO THE CHALLENGES MORE EFFECTIVELY. HR SHOULD FOCUS ON BUILDING ORGANIZATIONAL RESILIENCE, BY OFFERING DEVELOPMENT OF ITS TEAMS IN THE AREAS OF COMMUNICATION, EMPATHY, COLLABORATION, CREATIVE THINKING, AGILITY, TEAMWORK, TO NAME A FEW.**



### Sense of Belonging

There has always been and will be a direct correlation between employee's sense of belonging and the overall organization performance.

Together with HR, leaders must work towards nurturing the emotional connect with their individual members and teams at large. Even more so, post pandemic, this is critical given the remote working and distributed teams. Creating and fostering an environment where employees feel valued is key to building a high-performance culture.

### Rethink Reskilling

With the market dynamics, technology and shifting trends in the global market, the individual skills required to do a job will keep evolving rapidly.

To ride these waves of changes and uncertainties, it will be of value for organizations to shift the focus from individual roles and competencies, to companywide skills.

For individual employees, the focus should be on enhancing the critical skills, which will offer them the opportunity to expand and diversify their career into new roles, as the organization and the situation demands, moving forward.

HR and leaders can enable this shift within their companies, by creating new and collaborative working models, offering opportunities to team members to transition out of traditional career paths and engage in new projects based on their personal skills and abilities, and not that of the roles and titles they have carried thus far.

### Business Resilience

In any business, there has always been a close relation between efficiency and resilience.

When the market is dynamic and changing quickly, it serves in company's advantage to focus more on resilience, then efficiency. Whatever worked for them so far, might not get them to the finish line moving forward. Hence, leaders need to revisit their strategies and walk away from one size fits all approach.

Holistic approach in such times of change, will enable organizations to respond to the challenges more effectively. HR should focus on building organizational resilience, by offering development of its teams in the areas of communication, empathy, collaboration, creative thinking, agility, teamwork, to name a few.

### New Working Models

Even before the Covid pandemic, given the technological advancement, many organizations globally were introducing work from home policies, offering flexibility to those who needed to work remotely.

Overall, it was received well by those who could qualify to utilize this option.

In current times, this has become a daily norm. And with this shift in work dynamics, its important the working models and flexible work styles are redefined and officially rolled out for consistency and compliance.

Human capital in an organization is not constrained by a location/ geography anymore. The new market conditions, together with the technology enables us to hire and engage talent from anywhere in the world.

This requires a well-defined work model which allows for flexible scheduling, job sharing, skill collaborations, and so much more.

### Maintaining Corporate Culture

Organizations have long recognized the importance of corporate culture in ensuring the success of their teams and businesses.

In the new era of technology and remote working, with changing projects and hence the managers for each team members, sometimes even multiple reporting lines, etc...poses challenges to ensure the employees are embracing company values.

Frequent and scheduled communications and check-ins by HR and team leaders, team building programs, and similar innovative approaches can prove highly effective in creating that rapport with the team members and ensuring that they feel engaged and aligned.

### Reassessing Leadership Styles

In this era of digitization, leaders will continue to play a significant role in enabling the overall Human capital transformation.

Each leader with their unique leadership style have managed their teams to achieve the desired results. The teams cannot work in isolation anymore, and the roles are evolving from one project to another.

Not only the remote work environment but the transitional style of working with talent allocations for a part of the assignment / project, would require leaders to be extremely agile and adaptive.

Leaders need to be trained and equipped in the new ways of technology enabled work environments, working in a variety of settings, requiring for them to have a more permanent shift to flexible and hybrid models of working.

### Way Forward...

In todays world, digital technology is a way of life, at home or work. Smartphones, Virtual Reality, Chatbots, Data Networks, are constantly influencing our day-to-day life, activities and decisions.

As the technology continues to evolve, it also requires and necessitates the shift within the human capital dimension. These are two folds:

- For the 'Development of Technology'
- As the 'User of the New Technology'

Human Capital hence needs to learn and acquire new competencies (including but not limited to):

- Technical skills
- Human machine interaction language
- Behavioral transformation
- Interhuman relationships in virtual world
- Communications Skills
- Ethics and Compliance

Matters of organization growth and decline, hinge on its Human Capital. Therefore, to truly understand the change due to technology and the impact on businesses, its imperative that we study and understand the role that people play in this journey.

To succeed in automating processes and adopting advanced technology, the critical factor is skilled and engaged workforce. **That's the differentiator.**

Like Simeon Preston (BUPA) said, **'the biggest part of digital transformation is changing the way we think'!**

**Charul** is the Co-Founder and Managing Partner of Mātiti Group. She endorses Fearless and Purposeful Leadership and is an Unwavering Optimist.

With over 20 years of global experience, she has travelled, worked and lived in over 30 countries.

On the other side of the table, she managed Global Human Capital portfolios, and hence endorses the need for mindset shifts.

She is a passionate content creator and is an International Public and Motivational Speaker in subjects related to Corporate and Individual Transformation, Mental Health, Diversity and Inclusion, Entrepreneurship, Women Empowerment and Leadership.

She has won multiple awards in leadership, entrepreneurship, and HR. She sits in the Advisory Board of World HRD Congress, is an esteemed Council Member of WICCI and is also a Senior Assessor with Dubai Economic Department.

# ASIA-PACIFIC MARKETS MONTHLY HIGHLIGHTS AND INSIGHTS

## **S&P Global** Market Intelligence

### Key findings:

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

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## M&A ACTIVITY IN ASIA PACIFIC: SELECTED COUNTRIES

In July 2021, China dwarfed the other countries/regions in APAC with 248 M&A deals and Australia led the table with highest deal value (US\$ 20bn). In YTD 2021, Philippines showed the largest YoY growth in the total number of deals (77%) and Japan saw the most significant YoY growth of deal values (1,963%).

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

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

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

	No. of deals			Value of Deals (\$USDmm)		
	21 YTD	20 YTD	YoY Growth	21 YTD	20 YTD	YoY Growth
	Jan 1, 2021 - Jul 31, 2021	Jan 1, 2020 - Jul 31, 2020	YoY Comparison Through Jul 31, 2021	Jan 1, 2021 - Jul 31, 2021	Jan 1, 2020 - Jul 31, 2020	YoY Comparison Through Jul 31, 2021
China	1,956	1,631	20%	119,942	12,550	856%
Australia	1,056	750	41%	60,582	18,831	222%
Japan	795	779	2%	35,942	1,742	1963%
India	618	415	49%	27,354	35,897	-24%
South Korea	431	366	18%	29,372	2,845	932%
Vietnam	276	206	34%	1,676	97,549	-98%
Hong Kong	219	197	11%	16,685	1,041	1503%
Malaysia	225	163	38%	8,721	2,110	313%
Singapore	192	185	4%	11,807	2,296	414%
Thailand	144	116	24%	19,856	287,993	-93%
New Zealand	141	106	33%	7,868	12,555	-37%
Taiwan	70	45	56%	4,101	1,988	106%
Indonesia	70	64	9%	2,393	19,307	-88%
Philippines	69	39	77%	995	2,767	-64%
<b>Total</b>	<b>6,262</b>	<b>5,062</b>	<b>24%</b>	<b>347,294</b>	<b>499,472</b>	<b>-30%</b>

Key	Threshold (No. of Deals)
	0 - 9
	>9 - 51
	>51 - 102
	>102 - 153
	>153 - 204
	>204 - 255

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

## INITIAL PUBLIC OFFERINGS BY COUNTRY / REGIONS, SECTOR

In terms of IPOs in APAC, China ranked the first with 64 new IPOs and US\$ 8bn of IPO value. In YTD 2021, Australia saw the largest YoY growth of the total number of IPOs (579%) compared to YTD 2020. Philippines witnessed a surge in IPO values (78,316%) in YTD 2021, followed by South Korea (29,402%).

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

Country	No. of Deals	Value of Deals (\$USDmm)
China	64	7,913.10
Australia	26	722.60
India	8	1,861.30
Japan	8	199.50
Malaysia	6	330.90
South Korea	5	2,988.30
Indonesia	4	33.90
Thailand	4	194.20
Hong Kong	3	188.50
New Zealand	0	0.00
Philippines	0	0.00
Singapore	0	0.00
Taiwan	0	0.00
Vietnam	0	0.00

Key	Threshold (No. of IPOs)
	0
	>0 - 13
	>13 - 26
	>26 - 38
	>38 - 51
	>51 - 64

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

	No. of deals			Value of Deals (\$USDmm)		
	21 YTD	20 YTD	YoY Growth	21 YTD	20 YTD	YoY Growth
	Jan 1, 2021 - Jul 31, 2021	Jan 1, 2020 - Jul 31, 2020	YoY Comparison Through Jul 31, 2021	Jan 1, 2021 - Jul 31, 2021	Jan 1, 2020 - Jul 31, 2020	YoY Comparison Through Jul 31, 2021
China	362	262	38%	67,080	1,472	4456%
Australia	95	14	579%	3,952	1,096	260%
India	49	19	158%	7,188	662	985%
Japan	60	41	46%	2,849	185	1437%
Malaysia	17	20	-15%	1,992	32	6185%
South Korea	50	34	47%	11,975	41	29402%
Indonesia	25	33	-24%	461	1,441	-68%
Thailand	19	5	280%	3,144	47,090	-93%
Hong Kong	22	21	5%	2,913	249	1069%
New Zealand	1	2	-50%	245	658	-63%
Philippines	2	1	100%	1,294	2	78316%
Singapore	10	10	0%	1,104	2,768	-60%
Taiwan	1	1	0%	32	14	119%
Vietnam	1	5	-80%	10	-	NA
<b>Total</b>	<b>714</b>	<b>468</b>	<b>53%</b>	<b>104,238</b>	<b>55,710</b>	<b>87%</b>

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

### PRIVATE EQUITY INVESTMENTS & BUYOUTS: SELECTED COUNTRIES

In July 2021, China led the table with largest number of PE deals (146 deals) and Australia saw the greatest value of deals with US\$ 31bn in APAC, largely contributed by the announced acquisition of Spark Infrastructure by KKR. Across the region, China remained the most active market in terms of deal number and value in YTD 2021 (958 deals and US\$ 60bn deal value), and Hong Kong saw the biggest YoY leap in deal values (2,041%).

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

Country	No. of Deals	Value of Deals (\$USDmm)
China	146	9,041.00
India	48	2,308.70
South Korea	34	1,090.90
Japan	23	182.90
Australia	12	31,443.50
Singapore	8	4,069.00
Indonesia	7	666.20
Vietnam	4	263.40
Hong Kong	3	759.00
Malaysia	2	501.70
New Zealand	1	10.40
Philippines	1	7.70
Taiwan	1	16.00
Thailand	1	6.30

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

	No. of deals			Value of Deals (\$USDmm)		
	21 YTD	20 YTD	YoY Growth	21 YTD	20 YTD	YoY Growth
	Jan 1, 2021 - Jul 31, 2021	Jan 1, 2020 - Jul 31, 2020	YoY Comparison Through Jul 31, 2021	Jan 1, 2021 - Jul 31, 2021	Jan 1, 2020 - Jul 31, 2020	YoY Comparison Through Jul 31, 2021
China	958	556	72%	59,519	48,326	23%
India	230	143	61%	12,469	9,857	27%
South Korea	172	118	46%	9,248	8,407	10%
Japan	202	214	-6%	34,052	8,316	309%
Australia	70	63	11%	48,874	3,284	1388%
Singapore	65	45	44%	10,762	1,566	587%
Indonesia	28	16	75%	1,300	2,078	-37%
Vietnam	19	12	58%	807	832	-3%
Hong Kong	21	11	91%	3,272	153	2041%
Malaysia	8	4	100%	502	47	958%
New Zealand	11	14	-21%	670	1,260	-47%
Philippines	10	2	400%	643	132	388%
Taiwan	6	5	20%	90	66	36%
Thailand	3	4	-25%	9	121	-92%
<b>Total</b>	<b>1,803</b>	<b>1,207</b>	<b>49%</b>	<b>182,216</b>	<b>84,446</b>	<b>116%</b>

Key	Threshold (No. of Deals)
	0
	>1 - 29
	>29 - 58
	>58 - 88
	>88 - 117
	>117 - 146

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

### VENTURE CAPITAL INVESTMENTS: NON BUYOUTS BY COUNTRY

In July 2021, China remained the most active VC investments market in APAC. In YTD 2021, China also saw a large YoY growth in the number of deals from 788 in YTD2020 to 1,415 in YTD 2021. Japan experienced the most significant growth in the value of deals (11,789%), followed by Singapore (10,057%).

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

Country	No. of Deals	Value of Deals (\$USDmm)
China	212	13,092.60
India	60	831.50
Japan	59	310.00
South Korea	18	796.10
Australia	13	222.90
Hong Kong	11	665.10
Singapore	11	430.20
Indonesia	9	68.60
Vietnam	5	14.00
Malaysia	3	5.40
Philippines	3	171.00
New Zealand	2	11.30
Taiwan	1	0.00
Thailand	0	0.00

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

	No. of deals			Value of Deals (\$USDmm)		
	21 YTD	20 YTD	YoY Growth	21 YTD	20 YTD	YoY Growth
	Jan 1, 2021 - Jul 31, 2021	Jan 1, 2020 - Jul 31, 2020	YoY Comparison Through Jul 31, 2021	Jan 1, 2021 - Jul 31, 2021	Jan 1, 2020 - Jul 31, 2020	YoY Comparison Through Jul 31, 2021
China	1,415	788	80%	62,928	9,271	579%
India	444	307	45%	11,296	6,003	88%
Japan	380	343	11%	6,338	53	11789%
Singapore	138	123	12%	11,269	111	10057%
South Korea	161	112	44%	6,639	124	5266%
Australia	92	70	31%	10,630	212	4904%
Indonesia	65	54	20%	1,072	41	2542%
Vietnam	27	22	23%	423	-	NA
New Zealand	16	16	0%	391	2,731	-86%
Hong Kong	34	27	26%	2,767	2,202	26%
Philippines	13	3	333%	469	3,041	-85%
Malaysia	15	8	88%	621	125	397%
Thailand	5	9	-44%	6	65,772	-100%
Taiwan	8	10	-20%	99	835	-88%
<b>Total</b>	<b>2,813</b>	<b>1,892</b>	<b>49%</b>	<b>114,947</b>	<b>90,521</b>	<b>27%</b>

Key	Threshold (No. of Deals)
	0
	>2 - 44
	>44 - 88
	>88 - 133
	>133 - 177
	>177 - 221

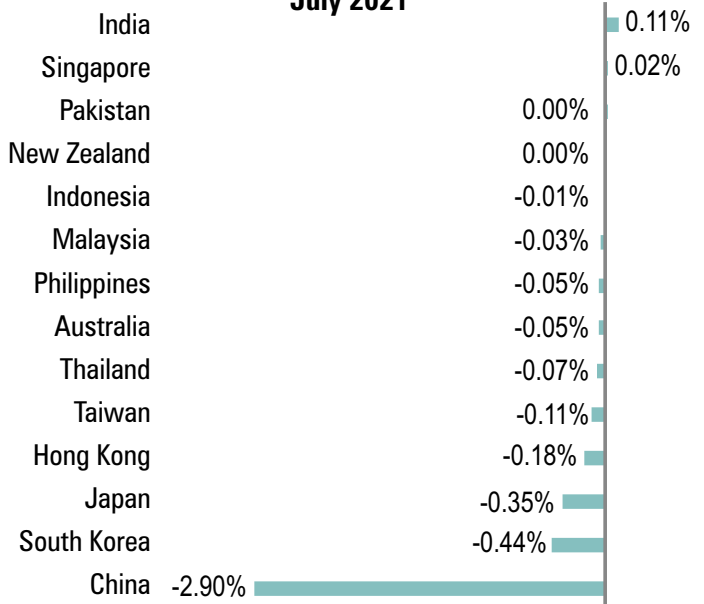
Source: S&P Global Market Intelligence as of August 1, 2021. Figures are based on transaction announcement dates. Includes both closed and pending transactions as well as those without transaction values. Non-buyouts will include all features except for leverage buyouts (LBO), management buyout or secondary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

MARKET ATTRIBUTES: INDEX DASHBOARD

Summary

- With few exceptions, Asian equities declined in July, with the S&P Pan Asia BMI down 4%, led by heavy losses in China, as a result of Beijing's clampdown on tech companies. Singapore and India were the only national markets on the Asian mainland to register gains.
- All factors posted declines. Most sectors posted losses, led by Communication Services.
- Volatility increased across the region.
- Commodities posted gains, with Copper in the lead.
- Performance for Asian fixed income indices was positive across the board.

S&P Pan Asia BMI Country Contribution  
July 2021



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



**your questions answered**

**SANDIP SHAH**  
Head- IFSC Dept.  
Gujarat International Finance Tec-City  
Co. Ltd. (GIFT City)

## FINANCE COMPANIES IN GIFT IFSC

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

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



**IN INDIA, THE ROLE OF AN IFSC IS TO UNDERTAKE FINANCIAL SERVICES TRANSACTIONS THAT ARE CURRENTLY CARRIED ON OUTSIDE INDIA BY OVERSEAS FINANCIAL INSTITUTIONS AND OVERSEAS BRANCHES / SUBSIDIARIES OF INDIAN FINANCIAL INSTITUTIONS. GUJARAT INTERNATIONAL FINANCE TEC-CITY (GIFT CITY) IS INDIA'S ONLY APPROVED IFSC LOCATED IN THE CITY OF GANDHINAGAR, GUJARAT.**



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

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

### 2. How is an IFSC regulated?

In India, an IFSC has to be approved by the Central Government under the Special Economic Zones (SEZ) Act, 2005 and is also governed by several Financial Services regulators such as Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI) and Insurance Regulatory and Development Authority (IRDAI)<sup>1</sup>.

The IFSC Authority Act, 2019 was enacted in 2019, to provide for an establishment of IFSC Authority (IFSCA) to develop and regulate the financial services market in IFSC in India and to replace the Financial Services regulators - SEBI, RBI and IRDAI. On 1 October 2020, the IFSC Authority assumed the powers over SEBI, RBI and IRDAI to develop and regulate the IFSC jurisdiction.

### 3. Who are the participants in an IFSC?

The participants in an IFSC are as follows:

Capital Markets	Offshore Banking	Offshore Insurance	Offshore Asset Management	Ancillary Services
<ul style="list-style-type: none"> <li>• Stock Exchanges</li> <li>• Brokerage services</li> <li>• Permissible Securities</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate Banking</li> <li>• Servicing JV/WOS of Indian companies registered abroad</li> <li>• Factoring / Forfeiting of export receivables</li> </ul>	<ul style="list-style-type: none"> <li>• General / Life Insurance</li> <li>• Co-Insurance</li> <li>• Reinsurance</li> <li>• Captive Insurance etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Fund Accounting</li> <li>• <b>Investment services</b></li> <li>• Custodial services</li> <li>• Trust services etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Legal, Accounting &amp; Audit</li> <li>• Research &amp; Analytics etc.</li> <li>• Compliance, Recruitment</li> <li>• Risk Management etc.</li> </ul>

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

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

#### 5. What is the framework applicable to the finance companies operating from IFSC?

The regulations applicable to the finance companies operating from IFSC:

- International Financial Services Centres Authority (Finance Company) regulations, 2021<sup>2</sup>
- Foreign Exchange Management (IFSC) Regulations, 2015<sup>3</sup>

#### 6. What are the forms of setting up finance companies in IFSC?

An entity seeking registration under International Financial Services Centres Authority (Finance Company) regulations, 2021 can either set-up itself as a Finance Company or Finance Unit in IFSC.

- A Finance Company (FC) can be set-up as a separate incorporated entity in the form of subsidiary, joint venture, company or any other form specified by IFSCA. It can also be set-up as an LLP or a Trust form if only non-core activity is performed. (Refer point 8 for list of permitted non-core activities)
- A Finance Unit (FU) can be set up as a Branch in IFSC

#### 7. What is the licensing criterion for setting up a FC/FU in IFSC?

- Registration from IFSCA will be required to set-up a FC/FU in IFSC
- FC/FU shall not be permitted to accept public deposits from residents or non-residents and not registered with the IFSCA as a Banking Unit
- Applicant entity and/or its promoters shall be from a FATF compliant jurisdiction
- If an investing entity in a FC/ FU is carrying out a regulated financial activity in its home jurisdiction, it shall obtain a no-objection certificate from its home country regulator for setting-up a FC/ FU in the IFSC
- FC/ Parent of FU to maintain a minimum owned fund depending on proposed activity to be undertaken or any higher amount as may be specified by IFSCA
- Parent of FU shall provide the capital on an unimpaired basis at all times.

#### 8. What are the activities permitted to be undertaken by FC/FU in IFSC?

- A FC/FU shall conduct operations in a freely convertible foreign currency. However, FC/ FU may be permitted to conduct such business, transactions denominated in

Indian National Rupee (INR) as may be specified by the IFSCA, subject to settlement of those business transactions in freely convertible foreign currency.

- A FC/ FU shall be permitted to have an INR account out of the freely convertible foreign currency to settle their administrative and statutory expenses and for such other purposes as may be specified by the IFSCA.

The permissible activities for FC/FU are divided in three broad categories:

##### 1. Permitted core activities

- Lend in the form of loans, commitments and guarantees, securitisation, and sale and purchase of portfolios
- Undertake investments activities as principal
- Equipment leasing
- Financial lease transactions for aircraft lease and ship lease
- Buy or Sell derivatives;
- Global/Regional Corporate Treasury Centres
- any other core activity as may be permitted by IFSCA

##### 2. Specialised activities

- Credit enhancement;
- Factoring and forfaiting of receivables
- any other specialised activity as specified by IFSCA

##### 3. Permitted Non- core activities

- Merchant Banking
- Authorised person
- Registrar and Share Transfer Agent
- Trusteeship services
- Investment Advisory services
- Portfolio Management services
- Distribution of mutual fund units
- Distribution of insurance products
- Trading, clearing or professional clearing member of IFSC exchanges and clearing corporations
- Transactions permitted under the framework for aircraft and ship operating lease
- Asset Management support services
- any other non-core activity, with prior approval of IFSCA

The FC/FU may undertake transactions in financial products and financial services as part of permissible activities with both residents and non-residents, subject to compliance of the provisions of Foreign Exchange Management Act, 1999.

The FC/FU intending to undertake aircraft lease transactions shall be in conformity to the Cape Town Convention and Protocol.

### 9. What are the activities not permitted to be undertaken by FC/FU in IFSC?

- FC/FUs are not allowed to undertake deposits from public
- FCs conducting only non-core activities are allowed to participate in derivative transactions only for the purpose of hedging their underlying exposures
- However, FC/FU conducting both, core and non-core activities are not permitted to undertake or fund any speculative transaction
- FC/FUs undertaking core activities are permitted to buy and sell derivatives



**THE FC/FU MAY UNDERTAKE TRANSACTIONS IN FINANCIAL PRODUCTS AND FINANCIAL SERVICES AS PART OF PERMISSIBLE ACTIVITIES WITH BOTH RESIDENTS AND NON-RESIDENTS, SUBJECT TO COMPLIANCE OF THE PROVISIONS OF FOREIGN EXCHANGE MANAGEMENT ACT, 1999.**



### 10. What are the conditions for FC/FU to undertake non-core activities?

A FC/ FU intending to undertake either a single or a combination of non-core activities, shall fulfil the following conditions:

- It shall carry out each such activity through separately identifiable department (SID);
- It shall ensure a fire wall between various non-core activities so that no conflict-of-interest situation arises;
- It shall formulate Board approved grievance redressal and customer compensation policy to deal with such complaints.

The IFSCA has provided a list<sup>4</sup> on various guidelines/ circulars/directions that shall be applicable for undertaking certain permitted non-core activities by an FC/FU.

The IFSCA has also notified<sup>5</sup> circular prescribing general and activity specific guidelines that are applicable to FC/FU on undertaking non-core activity in the form of distribution of mutual funds and insurance products.

### 11. What is the capital requirement for setting up an FC/FU?

The quantum of minimum owned funds to be required by a FC/FU depends upon the kind of permissible activities undertaken by such entity under the regulations as follows:

Specified activities	Minimum owned fund
Entity undertaking only aircraft lease transactions.	0.2 million USD or equivalent freely convertible currency
Entity undertaking one or more non-core activities; Entity undertaking act as a facilitator of core activities; Entity undertaking any permissible activity without customer interface	0.2 million USD or equivalent freely convertible currency or as may be specified by IFSCA
Entity undertaking specialised activity, such entity may or may not, carry core or non-core activities	5 million USD or equivalent freely convertible currency

The minimum owned fund shall be maintained on unimpaired basis at all times. Parent of FU shall provide the capital on an unimpaired basis at all times.

### 12. What are the sources of funds by FC/FU in IFSC?

A FC/FU in IFSC can source funds from person resident in India as well as persons resident outside India. Dealing with persons resident in India shall be subject to the provisions of FEMA.

### 13. Which are the ratios to be maintained by the finance companies?

- Capital Ratio - Minimum 8% of regulatory capital to risk-weighted assets or at such percentage as may be specified by the IFSCA
- Liquidity Coverage Ratio (LCR). In case of FU, the LCR can be maintained by the Parent of FU subject to the permission of IFSCA

### 14. Which are the ratios not required to be maintained by the finance companies?

Unlike IBUs, FC/FUs in IFSC are not required to maintain Cash Reserve Ratio (CRR) and Net Stable Funding Ratio (NSFR).

### 15. Is there any exposure ceiling applicable to financing FC/FUs in IFSC?

Yes. A FC/FU in IFSC is subject to an exposure ceiling of 25% of its available eligible capital base on lending to a single counterparty or group of connected counterparties.

## 16. What are the prudential and disclosure norms guiding FC/FUs?

FC/FUs shall adhere to the general prudential requirements as may be prescribed by the IFSCA. IFSCA provides for certain circulars/directions/guidelines as specified in the 'Directions for implementation'<sup>6</sup> for IBUs that shall be adhered to by the FC/FU undertaking certain activities.

Some of the key guidelines to be followed by FC/FU are as below:

- FC/FU shall maintain its balance sheet only in USD. A FU shall ensure that accounts pertaining to its transactions are kept distinct from that of its parent
- A FC/FU shall furnish information relating to its operations to the IFSC, in such manner, interval and form, as may be specified by the IFSCA. All such reporting shall be in USD, unless otherwise specified by the IFSCA
- The FC/FUs required to follow Know Your Customer, Corporate Governance, Disclosure requirements, Combating of Financing of Terrorism and other Anti-Money Laundering instructions specified by the IFSCA
- Any mergers, acquisitions, takeovers or change in management of a FC, which results in its change in control of at least 20% of total share capital, or of business decisions under an agreement, shall be subject to prior approval and such other requirements as may be specified by the IFSCA. Further, any mergers, acquisitions, takeovers or change in management in the parent of a FU shall be intimated to the IFSCA within a period of 15 days from the date of such event.

## 17. What are the approvals required for setting up an FC/FU in IFSC?

Approvals required to be obtained for setting up an FC/FU in IFSC are as follows:

- (a) Approval from SEZ authorities
- (b) Approval from IFSC Authority

## 18. To whom the application for setting up a FC/FU in IFSC be made?

Application for setting up a FC/FU in IFSC should be made in:

- (a) Form F to Development Commissioner, Kandla SEZ for SEZ approval.
- (b) In prescribed form for application to IFSCA for IFSC registration

## 19. What is the fee structure for FC/FU in IFSC?

The fee structure applicable for FC/FU is as follows:

- (a) Application fee: USD 1000 for new entities (one time)
- (b) Registration fee: USD 12,500 for new entities (one time)
- (c) Annual fee: USD 12,500 for all registered Finance Company/Finance Unit (second year onwards)

## 20. What are the steps for setting up a FC/FU in IFSC?

The key steps for setting up an FC/FU in IFSC are as follows:

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

## 21. Are there any recent circulars for FC/FUs in IFSC post the Regulations?

The updated regulations on IFSC can be downloaded from <https://ifsc.gov.in/>

1. IFSC Authority Act, 2019 empowers Central Government to establish IFSC Authority which shall replace all the FS regulators
2. International Financial Services Centres Authority (Finance Company) Regulations, 2021 Dated 25 March 2021
3. G.S.R 218(E) dated 2 March 2015
4. F. No 172/ IFSCA/Finance Company/Unit Regulations/2021-22/5 dated 3 May 2021
5. F. No 172/ IFSCA/Finance Company/Unit Regulations/2021-22/4 dated 3 May 2021
6. F. No 172/ IFSCA/Finance Company/Unit Regulations/2021-22/3 dated 3 May 2021

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

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

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

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

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

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



your  
questions  
answered

ZERICK DASTUR

Founder

Zerick Dastur, Advocates and Solicitors

## “MISSION IMPOSSIBLE??”: WITHDRAWAL OF OPEN OFFER UNDER THE SEBI TAKEOVER CODE

The SEBI (Substantial Acquisitions of Shares and Takeover) Regulations 2011 (‘Takeover Code’) was introduced to regulate aspects concerning substantial acquisition of shares and takeovers of a listed company and acquisition of control of such a company. The Takeover Code seeks to ensure that the public and minority shareholders are provided with an exit opportunity in the event of any substantial change in shareholding or change in control of the company.

When there is an acquisition or an agreement to acquire substantial shares, control or voting rights of a company in excess of the prescribed threshold, the Regulations mandate the acquirer to make a public announcement of an open offer to its existing shareholders. There are various circumstances in which the acquirer is required to make an open offer including when there is an acquisition of an aggregate of 25 % or more voting rights in a target company by the acquirer. The offer size needs to be a minimum of 26% of the total share capital of the target company. The Takeover Code also provides for the manner in which the price of shares will be determined for the purpose of the open offer by the Acquirer. The public shareholders can accordingly decide whether they want to exit the company or continue as shareholders.

While detailed provisions for making an open offer have been made under the Takeover Code, the Code also provides for the exceptional circumstances under which an open offer once made can be withdrawn.

### 1. Please discuss if an open offer can be withdrawn under the Takeover Code.

Once a public announcement for an open offer has been made by an acquirer, the acquirer cannot withdraw the open offer except in case of exceptional circumstances specified under the Code permitting withdrawal. There are only limited grounds provided under the Code pursuant to which an open offer can be withdrawn.

Regulation 23(1) of the Takeover Code provides the following three specific circumstances and one general provision that would permit withdrawal of an open offer. These include:

a) When the statutory approvals required for an open offer or for affecting the acquisitions attracting the obligation to make an open offer under these regulations have been finally refused subject to such requirements for approval having been specifically disclosed in the detailed public statement and the letter of offer;



**THE TAKEOVER CODE SEEKS TO ENSURE THAT THE PUBLIC AND MINORITY SHAREHOLDERS ARE PROVIDED WITH AN EXIT OPPORTUNITY IN THE EVENT OF ANY SUBSTANTIAL CHANGE IN SHAREHOLDING OR CHANGE IN CONTROL OF THE COMPANY.**



- b) When an acquirer, being a natural person has died;
- c) Any condition stipulated under the agreement triggering the open offer for effecting such agreement, has not been met for reasons outside the control of the acquirer, and such agreement is rescinded, provided such conditions were specifically disclosed in the Detailed Public Statement and the Letter Of Offer;
- d) Such circumstances as in the opinion of the Board, merit withdrawal.

A proviso to clause (C) Regulation 23(1) of the Takeover Code was added by way of the 2013 amendment, clarifying that an acquirer shall not be permitted to withdraw an open offer pursuant to the public announcement made even if the proposed acquisition through a preferential issue is unsuccessful.

It can be seen from the above that Regulation 23 of the Takeover Code is similar to Regulation 27 of the erstwhile SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997 ('Old Takeover Code') which dealt with withdrawal of open offer.

While regulation 23(1) (a) to (c) provide for specific instances where withdrawal will be allowed, Regulation 23 (1) (d) vests a degree of discretion with SEBI to allow withdrawal under such circumstances which in the *opinion of the SEBI merit the withdrawal*. However as can be seen from the discussion below, the provision is to be construed strictly and the discretion exercised with caution.

Further, in the event a withdrawal of an open offer is allowed in accordance with Takeover Code, the acquirer is obligated under the Code to announce the reasons for withdrawal of the open offer in all the newspapers in which the Detailed Public Statement pursuant to the public announcement was made and inform in writing to SEBI, all the relevant stock exchanges and the target company at its registered office, within 2 working days.

## 2. Please discuss the judicial precedents in connection with the withdrawal of open offer under the Takeover Code.

In a landmark judgment of *Nirma Industries Ltd Vs. SEBI (2013)* the Hon'ble Supreme Court of India has analysed the discretionary power of SEBI in permitting withdrawal of an open offer. In the facts of the case, Nirma Industries had applied to SEBI for a withdrawal of the Open Offer under the identical regulation 27(1)(d) of the Old Takeover Code (1997) which states that SEBI may allow withdrawal of open offer in a given case i.e. under "*Such circumstances as in the opinion of the Board, merit withdrawal*".

When withdrawal of open offer was not allowed, litigation ensued and the matter eventually went to the Hon'ble Supreme Court. The Hon'ble Supreme Court while interpreting the term 'merit withdrawal' under Regulation 27(1)(d) of the Old Takeover Code, included the 'impossibility for the acquirer to perform the public offer' as a requirement for the withdrawal of the open offer. The court while applying the principle of *ejusdem generis* i.e. of the same kind or nature, held that since the specific provisions enumerated in Regulation 27(1)(b) and (c) runs on the common thread of the "impossibility" in carrying out an open offer, the general provision under Regulation 27(1)(d) must be restricted to circumstances of impossibility as well. The Supreme Court further observed that "a certain amount of discretion has been left with the Board to determine as to whether the circumstances fall within the realm of impossibility." Hence even under Regulation 27(1)(d), withdrawal can be allowed only in circumstances which are in the realm of impossibility of performance of the open offer.

In a similar case of *SEBI v. Akshya Infrastructure Pvt. Ltd. (2014)*, the question before the Hon'ble Court was whether an open offer voluntarily made through a public announcement for purchase of shares of the target company can be allowed to

be withdrawn at a time when the voluntary open offer has become uneconomical. The Court while relying on the principles laid down in the case of *Nirma Industries*, held that the impossibility envisioned under the Takeover Code would not include a contingency where open offer once made can be permitted to be withdrawn on the ground that it has now become economically unviable.

## 3. Are the principles relating to withdrawal of open offer under the Old Takeover Code 1997 also followed under the Takeover Code 2011.

In the context of withdrawal of open offer, the Takeover Code, 2011 incorporates the existing exceptions for withdrawal of an open offer as provided for under the Old Takeover Code. Further, a new ground was inserted in the form of Regulation 23(1) (c) which states that an offer may be withdrawn if any condition stipulated in the agreement for acquisition attracting the obligation to make the open offer is not met for reasons outside the reasonable control of the acquirer.

Recently, SEBI in the case of *M/s. Jyoti Limited V. SEBI (2016)* rejected the request for withdrawal of open offer on the ground that completion of the open offer process was not impossible. SEBI stated that the provisions of Regulation 23(1) of the Takeover Regulations, 2011, are similar to the provisions of Regulation 27(1) of the Takeover Regulations, 1997 and consequently, the ratio laid down by the Hon'ble Supreme Court in the matters of *Nirma* and *SEBI v. Akshya Infrastructure Private Limited* with respect to Regulations 27(1) of the Takeover Regulations, 1997, are squarely applicable to the provisions of Regulation 23(1) of the Takeover Regulations, 2011.

### (Advocate Zerick Dastur and Advocate Palak Agrawal)

Views of the author 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.



Shailesh Haribhakti  
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## CLIMATE CHANGE, STATE EMERGENCY AND STAKEHOLDER PURSUIT



Thara TK  
Co-Founder & CEO, ESG Minds

“China witnesses its heaviest rainfall in a 1000 years” - Jul 2021

“Climate scientists shocked by scale of floods in Germany” - Jul 2021

“The Amazon rainforests are now releasing more carbon than they absorb, scientists confirm for the first time” - Jul 2021

“Record-breaking all-time-high ‘pressure-cooker’ heatwave hits Canada, US northwest” - Jun 2021

“Climate change is real: 600-900% excess rain in many Maharashtra districts” - Jul 2021

“Australia suffers devastating fires after hottest, driest year on record” - Jan 2020

There is no dearth of record-breaking climate change indicators. Are we surprised? Science predicts for us and ALL measures are flashing red! While we are still figuring out why the cicadas emerged earlier than their 17-year life span and what we did is causing frequent and devastating locust swarms, we are marching closer to the yet-to-occur climate change predictions:

- Half of all plant and animal species to face local extinction.
- Severe food insecurity.
- Marine ecosystems to collapse and fish species to go extinct.
- Economic damage to lead to average incomes cut by 23%
- Three-quarters of the world’s population to experience potentially deadly temperature extremes and significantly frequent extreme droughts.

All the top 5 risks by likelihood are converging, making “Environmental Stewardship” pivotal to planet sustainability. Global ESG action will be the bulwark against massive direct impact on global social and economic dimensions.

As the UN chief reminds us, “we are way off track” from the “ambitious, yet achievable” goal of reaching carbon neutrality by 2050, we continue to witness the stark differences at G20 nation meets. Contributing to 85% of the global greenhouse gas emissions and staying at top on per

capita emissions, the G20 discussions on climate change often create a cacophony that misses the real point: we are in danger as a species! Focus has to dramatically shift to absolute reductions in quick time. The entire planet must converge on this thinking.



**ALL THE TOP 5 RISKS BY LIKELIHOOD ARE CONVERGING, MAKING “ENVIRONMENTAL STEWARDSHIP” PIVOTAL TO PLANET SUSTAINABILITY. GLOBAL ESG ACTION WILL BE THE BULWARK AGAINST MASSIVE DIRECT IMPACT ON GLOBAL SOCIAL AND ECONOMIC DIMENSIONS**



The latest European green deal “Fit for 55” is set to influence a wide range of policies aligning them to cut EU’s emissions by 55% by 2030. While we dissect and weigh the effectiveness and fairness across multiple dimensions, let’s salute the EU for its focus, action and commitments: be it legally binding policies; be it EU taxonomy, the first-ever of its kind; or the extension of Corporate Sustainability Reporting Directive (CSRD) to 50,000 companies.

The US federal administration qualifies its announcement to cut 50 - 52% of carbon emission by 2030, as pushing progress, creating jobs and achieving justice. The world, particularly the next generation of global citizens are watching as the US, a historical polluter that stands second in total and per capita emissions, fulfils its moral responsibility to reduce the emission disparity that it heavily contributed to.

While India has not yet declared a net-zero commitment date, its Nationally Determined Contribution (NDC) is already

aligned to the 2 degrees target of the Paris Agreement and is set to exceed the agreement with commitments such as 450 GW of green energy by 2030. Top priority for developing countries, and particularly for India, is to prepare for the devastating consequences. They have to be self-sufficient in terms of policies, solutions, technology, actions and behavioural changes, as they have more to correct with less. Posting the lowest per capita emission among G20 countries, India has rightfully urged others to reduce.

Urgently scientists need to project scenarios based on ESG policies of China, Russia, Brazil and Australia. G20 as a pack have the out-and-out power to save or fail the planet. That makes COP 26 the most significant global event which must unfalteringly initiate the journey of action led by collaboration, accountability, attitude and urgency.

Let us zoom a level down to markets and businesses and see how ESG is influencing corporate and ecosystem practices.

**Sustainable Investments:** As per the latest report from Global Sustainable Investment Alliance, the global sustainable investment reached USD 35 trillion, a 15% increase in the past two years (2018-2020). The most common sustainable investment strategy is found to be ESG integration, followed by negative screening and corporate engagement & shareholder action. The fact that the investments under "Impact Investing" was low in the ranking indicates the need for more outcome-based commitments.

Indian Sustainable funds inflow has already risen by more than 75% so far this year according to the data released by Morningstar. India's sustainable bond issues have made up over 60% of total external commercial borrowings so far this year, according to a recent report by Bloomberg.

**Regulators and Reporting:** A vast majority of the leading market and financial regulators across the globe have kept stakeholders on their toes through actions such as the establishment of the Sustainability Standards Board, uniform reporting policies and expansion of mandatory disclosures. Global Standard Setters are exploring synergised actions such as establishment of Value Reporting Foundation and common reporting frameworks. Planet earth needs trustworthy disclosures and binding commitments urgently.

India becomes one of the first few countries to mandate sustainability reporting through the establishment of BRSR (Business Responsibility and Sustainability Reporting) this year. BRSR is significantly more quantified, qualified, comprehensive and well-aligned to global standards and frameworks when compared to BRR (Business Responsibility Reporting), its predecessor. BRSR, a set of prescriptive disclosures complements Integrated Report which is principle-based. BRSR is expected to transform India's corporate annual reporting across three dimensions:

- Enable the narration of a truly integrated storyline through financial and non-financial dimensions.
- Significantly increase the relevance and relativity of information that is presented.
- Curb greenwashing by ensuring consistency of messaging and claims through data supported validations.

**Assurance:** Reporting has established a reasonable amount of clarity and direction. Assurance, rating and ranking of ESG disclosures and performance need standardisation and regulation. The demand for ESG data and rating has grown epidemically. We now need transparent rating methodology, relevant assurance parameters and harmonisation across different providers. International Organization of Securities Commissions (IOSCO) has just taken steps towards regularization by way of a consultation paper. An ESG assurer will need to certify an organization's stakeholder engagement; materiality; reporting frameworks; globally acceptable measures and their relevance; impact and claims of outcomes across financial and non-financial parameters.

When it comes to emissions, disclosure through CDP (formerly known as Carbon Disclosure Project) is increasingly considered a standard business practice as over 10,000 companies across the globe adopt CDP standards. 67 of India's top 200 companies have disclosed their emissions through CDP in 2020. The Science Based Target Initiative (SBTi) enables businesses to set emission targets in line with the latest climate science (and thereby the most assured method available). SBTi has just announced its strategy to reset corporate targets to '1.5°C' instead of 'well below 2°C'. All companies and financial institutions that submit targets from 15 July 2022 will need to align to the new criteria.

**Business Integration and linked outcomes:** ESG has eventually made its point beyond disclosures and reporting for a vast majority of entities in the last couple of years. Businesses globally are recognizing the need and advantages of integrating sustainability into their strategy, model, products, services, supply-chain and risk.

Reimagining the business through the lens of sustainability is leading to sustainability strategies that have potential to be a competitive advantage. Leaders and early starters such as Hindustan Unilever and Hindustan Zinc are conveying that sustainability is an obligation only until the right solutions are figured out. They are demonstrating that sustainable solutions can deliver long term value, stakeholder intimacy, increased financial performance and brand image.

**Focus by Board of Directors:** Right now boards who have not so far responded to ESG, must commence actions to reap the lead-time advantage. Several Indian boards such as Infosys, L&T Financial Holdings and Welspun India have established ESG committees with a focussed charter. Leaders are setting the tone at the top; ensuring ESG integration with core business; and overseeing strategy

linkage to outcomes and communication. These aspects are typically found to be included in the charter of ESG Committees. Upskilling of the board and enriching board composition with ESG expertise are getting traction and are positively expected to deliver outcomes in the medium to long term.

**Digital Technology:** Sustainability Transformation has kicked off the exhilarating journey of digital transformation. On one end is the European Space Agency’s massive “Digital Twin of Earth”, which is expected to monitor the health of the planet and forecast extreme climate change through simulation of effects of human behaviour. On the operational side, the gap is narrowing between ERP and ESG when it comes to an entity’s resource planning. We need an insightful supply of digital capabilities that would enable end to end Sustainability Transformation such as:

- ESG integration into business and supply chain
- Manage and monitor implementation of ESG charter across the value-chain
- Enable Net Zero journey
- Assess, measure, manage and report materiality
- Identify and manage risks and opportunities
- Analyse impacts and course-correct
- Understand and adopt best practices from ecosystems
- Correlate to measured outcomes
- Trustworthy data and data analytics
- White box rating and ranking
- Democratisation of sustainability

We postulate that most digital technologies such as Blockchain, Artificial Intelligence (AI), Machine Learning (ML), Internet of Things (IoT), Augmented and Virtual Reality (AR/VR) will find their use cases deployed in sustainability sooner than later.

**Net Zero Commitments:** While just 100 companies are responsible for 71% of total global GHG, having a net-zero commitment from over 1500 companies may look a lot for the cause. However, the devil is in the details! The commitments are made by the world’s biggest fossil fuel polluters, big techs, wealthiest financiers, and retailer giants. Around 60 of India’s largest firms such as Tata, Reliance, Adani, Infosys, Wipro, Mahindra, ITC, ACC, JSW Energy, HCL and HDFC Bank have made their carbon neutrality commitments.

All net-zero promises are to be read along with:

- The efficacy and reliability of the solutions that are mapped out.
- The vicinity of timelines.
- Clarity and reliability of underlying plans.
- The overall intent and action the organizations demonstrate consistently across all of its current touchpoints.

**Dangerous Distractions:** Several fundamental misconceptions and questions regarding Net Zero concept design and implementation have led to research and discussions of “Dangerous Distractions”. To list a few:

- The convenient and irresponsible focus on “removal” than “reduction”.
- The over-reliance on non-existent, expensive, energy-intensive and unproven-to-be-deployed-at-scale removal technologies.
- The unestablished business case of offsets being able to deliver same impacts in same timescale as emissions draw down.
- The ability of policies and commitments to address the disparity of emissions.
- Impact and action between the richer northern and exploited southern hemisphere.

CCS (Carbon Capture and Storage), CCUS (Carbon Capture Utilization and Storage), non-linear afforestation, Direct Air Capture (DAC), Solar Geoengineering, Carbon trading and offsets; have all come under the scrutiny of “Dangerous Distractions”.

Focus on aggressive reductions and proven solutions are priority! Climate Solutions 101 presented by **Project Drawdown**, drawing on humanity’s collective wisdom about the practices and technologies that can begin to reverse the curve by mid-century, could be a great start to understanding solutions and making them happen while we still work on the latest technologies to figure out faster and cheaper solutions.

The time to act is NOW. Be aggressive, be persuasive, be collaborative, be anxious for outcomes to deliver reductions, be faithful to commitments and above all LOVE YOUR PLANET. Communities, Governments, Regulators and individuals will all have to come together to save our only home: Planet Earth. There is no Plan B!

**Shailesh Haribhakti** is a renowned Chartered and Cost Accountant, and a Certified Internal Auditor, Financial Planner & Fraud Examiner with experience of over four decades. He is on the board of leading Public Limited Companies and Chairs a few of them. He is a strong supporter of a clean and green environment, shared value creation and has pioneered the concept of ‘innovating to zero’ in the social context. Mr. Haribhakti has a passion for teaching, writing and public speaking. He frequently contributes his views on public forums, to the press and to the electronic media.

**Thara TK**, Co-Founder & CEO, ESG Minds is an ESG thought-leader, strategist and solution architect contributing in the ecosystem across corporate, government & academia on ESG services and solutions in the areas of strategy, platform, implementation and reporting. Her focus areas include: ESG Strategy and Charter, Board Engagements, Business & Supply Chain integration, Net Zero planning, Integrated Reporting, BRSR and other global reporting standards, CSR & SDG integration, CDP, SBTi, Rating, Ranking and Indices, Digital Platform and ESG enablement functions.

Thara is also a qualified Independent Director with IICA. Prior to establishing ESG Minds, she has had over two decades of experience and career with Tata Consultancy Services and had served in the roles of Head, Travel, Transportation & Hospitality (TTH), TCS Canada and Head, Strategic Business Development, TTH, TCS North America.



## FOREX THE ROAD AHEAD IN ERA OF DIGITAL TRANSFORMATION AND TRADING

Amit Pabari  
Managing Director and Founder, CR Forex

Since the evolution of the mankind, humans have transformed themselves to facilitate their life better, easier and faster. There is no doubt that more than 90% of the things surrounded by us are part of any or other transformation only and now we are habitual of it. Going by history, not millions of years ago, but probably just around 6000 BC, the **'Barter Exchange'** was established. Then, from barter exchange to the use of metal coins and then banknotes we have seen a tremendous transformation. From the invention of the **first light bulb in 1878 by Thomas Edison** to the **first Airplane in 1895 by ShivkarBapuji Talpade**, the world was seen brightening up and coming closure.

### The rise of the financial market & digitalization

In the financial market, the rise of **'Trading'**, **'Exchange'** and **'Broker'** was seen evolving from the part of Europe in the 14th century. By the early 1600s, the **'Dutch East India Company'** became the first company in history to issue bonds and shares of stock to the general public. The next is unbelievable- the first derivative contract was also started trading in 1607 and they also invented future trading and short selling in those early years. In 16th and 17th centuries, the Dutch pioneered several financial innovations that helped lay the foundations of the modern financial system. The **'Philadelphia Stock Exchange'** now known as **NASDAQ** is one of the world's first electronic stock exchanges, founded in 1790. The first Indian stock exchange or Asian exchange can be rightly predicted is none other than- **'Bombay Stock Exchange (BSE)'** came into existence in 1875. Further, progress was made towards different asset classes such as equity, commodities, currencies, real estate in the 19th and 20th centuries and gave birth to different types of participants such as investor, trader, hedger, speculator, arbitrageurs. During those days, exchanges were operating on the floor and brokers were using hand signals to trade in the open outcry system.

The biggest evolution in the mid-20th century was seen in the technology sector. The world got its first computer, internet, calculator, ATM, electronic stock market- NASDAQ in the 1970s and wireless telephone-Mobile. The stock market adapted to transformation quickly with computer-based buying-selling, Demat of shares (the

move from physical certificates to electronic bookkeeping), transfer of funds, etc.

### 'Evolution' and 'Expansion' of Foreign Exchange market

When we talk about the evolution of the foreign exchange market then obviously banks and financial institutions were dealing with currency exchanges for cross-border traders for many centuries before the modern foreign exchange market came into existence in the 1970s. However, three decades of government restrictions on foreign exchange transactions were observed under the **'Bretton Woods system'** of monetary management. But then, countries gradually switched to a floating exchange rate system from Bretton Woods-led fixed exchange regime. This one proved to be a major transformation towards unlocking the Forex market and trading.



**THE BIGGEST EVOLUTION IN THE MID-20TH CENTURY WAS SEEN IN THE TECHNOLOGY SECTOR. THE WORLD GOT ITS FIRST COMPUTER, INTERNET, CALCULATOR, ATM, ELECTRONIC STOCK MARKET- NASDAQ IN THE 1970S AND WIRELESS TELEPHONE-MOBILE.**



The forex market operates **24 hours a day except for weekends**; makes it fascinating for the new financial world. Moreover, in terms of trading volume, it is by far the largest market in the world, followed by the credit market. It means that the price gap between trading days, which is normal behaviour in the stock market, is here rarely observed. The constant movement suggests higher liquidity, which means a constant opportunity to

make trades. This market assists international trade and investments by enabling currency conversion. That apart, it supports direct speculation of the currency and evaluation of the relative value of currencies; widely known as 'carry trade'.

The COVID-19 pandemic has already suggested a roadmap for digital transformation. The unstoppable journey of this transformation has made forex trading so much easier that one can open an account with any global forex broker, can trade in any currency pairs, apply their analysis and automate the trading signals. Forex trading is a legal business, but in some countries like **India, Japan, Iran, Pakistan, Saudi Arabia, South Korea, Turkey, Belarus, and Canada**, Forex traders can operate only through domestically licensed brokers. The Forex trading risk is considered similar to gambling risk; hence to protect their citizens, prevent financial losses, many countries have imposed restrictions.

#### Changing dynamics towards Machine based analysis

Post aftermath of the 2008 Crisis, the global market was seen entering into an expansive era of Fintech- Financial Technologies. This includes new applications, processes, products, or business models in the financial services industry; provides end-to-end processes via the internet. This has automated investments, insurance, trading, banking services, and risk management. The API (Application Programming Interface) which enables connections between two computer programs simplifies programming by abstracting the underlying implementation and only exposing objects or actions that the developer needs. They allow the transmission of data from system to system, creating connectivity.

Increasing use of computers, machine learning, and artificial intelligence have been compared with the introduction of the bulb, Airplane, steam engine, and electricity as drivers of economic progress. The digital way of trading with the help of Fintech has become an integral part of the forex and in so many ways. New participants may not notice this, but those who have been in this field for many years are sure to account for the changes they have witnessed.

Those were the old days when traders used to apply his own analysis such as fundamentals like micro and macroeconomics, or applying technical indicators such as RSI, MACD, Moving averages or Bollinger bands and coming to the conclusion for the trade. Now, traders have sufficient resources to use and direct their trades. Based on the back testing of forex pairs through historical analysis of combination of different indicators, the result can be used for betting on future trades. Many global

traders, fund managers and institutions have sufficient system in placed to analyse, evaluate data and as per requirement get the results in fraction of seconds.

The given digital transformation can be considered as one of the largest by size and exponential by growth kind of evolution. **Digitalization**, and **FinTech** more generally, has already changed many aspects of financial intermediation and will continue to do so in the coming years. These developments have the potential to make markets more diverse, competitive, efficient, and inclusive, but could also increase the concentration of power. Innovation has introduced competition and increased inclusion, particularly in developing economies.



**INCREASING USE OF COMPUTERS, MACHINE LEARNING, AND ARTIFICIAL INTELLIGENCE HAVE BEEN COMPARED WITH THE INTRODUCTION OF THE BULB, AIRPLANE, STEAM ENGINE, AND ELECTRICITY AS DRIVERS OF ECONOMIC PROGRESS.**



India's presence in rising digital FX market  
The government's initiation towards the development of technology is definitely creating a milestone in rising digital world. The ongoing project- **GIFT (Gujarat International Finance Tec-City)** in Ahmedabad, Gujarat is a major step towards the development of an **International Financial Services Centre (IFSC)**. The recent announcement suggests that **NSE-International Exchange, a subsidiary of the National Stock Exchange (NSE), plans to launch trading in US stocks at the Gift City and our oldest exchange- BSE has also proposed to offer stocks from the US, Canada, the UK, Europe, Australia, and Japan, covering about 80 per cent of the investing universe.** Moving forward, the steps towards foreign exchange trading too can be taken and we could have a broader forex market in hand to trade. Currently, on NSE only allows to trade in EURUSD, GBPUSD, and USDJPY on global forex pairs. However, from a trading point of view traders are facing an issue of liquidity in maturity beyond 3 months. The authorities need to really think about the expansion of the Indian market to make it globally competitive and at the same time a platform for the domestic traders too for hedging and trading.

If we look at the Indian currency trading volume, then it is hard to believe that London (UK) leads the league, overtaken Indian's financial capital Mumbai to become the top center of Rupee trading in 2019 with \$46.8 billion in April. The trading in dollar-rupee offshore non-deliverable forwards increased multi-fold over the recent period. The credit to UK (debit to India) goes on account of digital transformation and awareness of the use of products. This point towards urgency to the local authorities to deepen the width of the onshore market and increase the participation rate. As per the latest data provided by the Bank of England, the trading on London's foreign exchange market reached a record high in April of \$3 trillion in average daily turnover with significant rises in the dollar, sterling, Japanese yen, and commodity-linked currency volumes.

#### **'Awareness' could open up the Indian Forex market**

In India, still, awareness about the stock, commodity, forex market, and trading is yet to be developed. **The percentage of the population investing in the stock market is just 4%. And still, we hold a market capitalization of \$3 trillion. The participation rate in the developed markets is very high, the US leads with 55%, Japan it is 44%, Australia has 49% and the UK is having 33%.** So, if we look at opportunity-wise, then definitely India and other developing nations have more opportunity to expand their markets and make their domestic traders aware about investing and trading. In upcoming years, with the government's movement of **'Digital India'**, we can see a tremendous transformation into the field of technology. By banning a Chinese app last year when cross-border issues were escalated between India and china at LOC, the government had taken major steps towards promoting India's technology sector. Then **AatmaNirbhar Bharat - 'Self Reliant'** campaign also

shifted market sentiment to use our own product rather than imported or foreign ones.

**The roadmap ahead for Forex trading in a given digitalized world seems like a shining star as many countries are easing their restrictions on Forex trading; especially after the invention of digital currency (Crypto currency). Globally, developed markets are already way ahead then the emerging in terms of usage of digital platforms. However, developing nations are also trying to regulate their Forex market and ease restriction by introducing new pairs of trading or separate exchange. Overall, despite having the largest market share in terms of asset class trading volume, the future of digitalized foreign exchange market looks much more opportunistic and glittering.**

#### **Views expressed are personal in nature.**

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He is Involved with the research and prudent management of market risk which is Inclusive of foreign exchange and interest rate risk.

With more than 15 years of experience offering unique blend of markets understanding, Strategizing and Forex risk mitigating, his approach to the subject is complete and effective. Within a short course of time, he is advising large corporate treasuries, transacting multi-billion \$ realm volume, in areas of currency & banking cost reduction and setting up of best treasury practices. His presence on various media platforms like CNBC, Financial Express, NDTV Profit, Live-mint and more, has facilitated him to add value to mass readers where he shares his opinions and views. He brings to the table knowledge and expertise converged from working with various banks and financial service firms.

Previously, he was employed with a leading Forex consultant for advisory to the corporate clients, evaluation of risk management policies, banking consulting etc.

With the wide experience in the treasury and risk management, He has been successful in adding values to the clients.



# DEBT FUND CRISIS AND REGULATIONS IN PLACE TO PROTECT INVESTORS

Dilshad Billimoria  
Managing Director, Dilzer Consultants Pvt. Ltd.

**T**here are 15 categories of Fixed Income Debt Funds available in the market today.

Some are based on Accrual Strategy of Investing whereby the fund generates regular interest Income payment at periodic frequencies and pays interest

Duration Based strategy works on the principal of holding the investment to maturity.

**Debt funds are categorized into:**

Overnight, Liquid, Ultra Short term, Low duration, Money market, Short Duration, Medium Duration, Medium to Long duration, Long Duration, Corporate Bonds, Banking PSU, Gilt, Gilt constant Maturity, Dynamic Funds.

The Debt fund Crisis was a combination of Liquidity, and Credit Rating issues.

The Debt Debacle started with ILFS in September 2018 and then had a cascading effect in not only Debt but also money market and liquid Fund Schemes.

**Background**

ILFS lost its level of safety and risk rating to D - in a matter of Days. This was due to the wilful default of its payment obligation on bank loans, term deposits, commercial papers.

The mismatch in borrowing and lending tenure created a big gap and resulted in a cascading fall in NBFC and lending companies.

DHFL was a mortgage Financer and an NBFC. Following the ILFS debacle, DHFL followed. There were huge asset quality issues, like lending money to housing finance companies (HFCs) that went bust and non-repayment of loans.

**The Fixed Income Market**

The NBFC Sector had a direct impact on Debt and

Fixed Income Investments in the Financial Markets.

The Fund Managers that had exposure to NBFCs and HFCs led to credit downgrades and further stepping down of valuations of such companies. There were price reductions to the tune of 3% in one day in liquid funds.

Further, there were fund managers that took exposure of HFCs in Fixed Maturity Plans and Liquid fund ( Products that are near fixed return interest for investors) This lead to the Liquidity Crisis.

The AUM of the Debt Industry fell by 3 lakh crore(12 lakh crore to 9 lakh crore) in a matter of 2 months in August-September2018

Structured Obligations -SOs, Credit Enhancements (CEs) or pledge on shares, further weakened the portfolio make up of Debt funds.



**THE FUND MANAGERS THAT HAD EXPOSURE TO NBFC ANDHFCs LED TO CREDIT DOWN GRADES AND FURTHER STEPPING DOWN OF VALUATIONS OF SUCH COMPANIES. THERE WERE PRICE REDUCTIONS TO THE TUNE OF 3% IN ONE DAY IN LIQUID FUNDS.**



**SEBI Regulations and Watchdog for Investor Interests**

Following the Liquid fund crash in October 2017 the following regulation was mandated by SEBI

- 1. 20/ 25 Rule** -Each Liquid fund Scheme should have

- MINIMUM 20 investors and no single investor shall have a holding of more than 25% of the Assets under Management of the fund.
2. **Portfolio Disclosure norms-** Every Mutual fund needs to further declare the detailed portfolio holdings by the 10th of every month on Association of Mutual Fund for India AMFI Website with details of securities held and their rating.
  3. **Stress Testing** – Every Fund Management Company needs to do Stress Testing of Interest rate risk, credit risk, liquidity risk, redemption risk and it affect the Net Asset Value of the schemes.
  4. **Credit Assessment (in house)** The Fund Manager needs to report to the Trustees and Sponsor of the Mutual Fund; in house credit rating undertaken over and above that done by Credit Rating Agencies as regular checks to evaluate the composition and inherent risks of the scheme to investors.
  5. The Trustee in conjunction with the Sponsor of the Mutual Fund can **Restrict Redemptions in case of an Undue Liquidity Crisis.**
  6. The Fund's Borrowing Requirements Is restricted to that of 20% of Net assets of Funds up to 6 months and this Is allowed only to overcome liquidity crisis
  7. **Credit Risk Exposure:** There Is alimitation to credit risk to a maximum of 10% to a Single Issuer, 20% single sector,25% unrated securities.



**INVESTORS AND ADVISORS HAVE A LOT TO LEARN FROM THE RECENT SPURT OF DEBT MARKET CREDIT DOWNGRADES AND FINANCIAL ADVISORS HAVE A LOT OF FINANCIAL LITERACY TO BE GIVEN TO INVESTORS.**



#### **Recent Measures announced by SEBI**

1. When a Security Is downgraded or has defaulted in payment obligation, the fund has to create segregated portfolio to protect the interest of existing investors. This Is done by Segregating the good from the bad part of the portfolio.
  2. All Market securities valued below investment grade should be made marked to market(MTM) and shown as marked down until a valuation agency has undertaken a risk testing on them.
- A conglomeration of Mutual Fund and Industry Experts were further summoned by SEBI to form a Mutual Fund Advisory Committee (MFAC) which took shape in April 2020.**
- The Stalwarts which include fund managers have further proposed the following amendments to SEBI for protection of investors.
- There should be a minimum percentage inliquid Instruments of Liquid and Money Market funds to meet Liquidity Pressures of investors. The liquid instruments include, Treasury Bills Government Securities, needed to meet redemptions which should comprise of 19% of the AUM of the fund and 20% of the Average AUM of the top five investors.
1. All mutual liquid and money market categories of mutual funds should have Complete Mark to Market valuation (MTM) This is effective 1 April2020.
  2. There should be no exposure to Structured Obligations (Sos) However; Debt securities backed by The Government of India are excluded.
  3. In order to prevent large institutions from short term entry and exit and day parking of large institutional money and easy exit, there is an introduction of an Exit load on all Liquid and money market scheme up to 7 days for any exits that happen Effective Oct 2019
  4. Earlier fund managers, were allowed to invest in Short term deposit, before deployment of Funds in the relevant investment options. The same has been barred. Now Fund Managers can invest in CBLO or liquid Instruments only, effective September 2019
  5. Cut off time for subscriptions or purchases earlier in Liquid schemes was 230pm and the operational work of deploying funds in CBLO had was given only 30 minutes. To overcome this operation issue the Cut off time in Liquid scheme Is now reduced to 130pm
  6. All fund houses now mandatorily need to report low credit quality paper to Board of Trustees
  7. All investments made in Secured Debt instruments should be covered adequately on a regular basis

### Updated SEBI Regulations

As of today, at the industry level, all debt fund have 11-17% of Investment in Structured Obligations and Credit Enhancements. Exposure of mutual fund schemes at issuer level is as per prescribed norms and limits. The Reserve Bank of India has prescribed minimum of two times against loan cover and the investment grade should be above AA rating only.

Mutual Fund schemes can invest in ONLY Listed NCDs which in a phased manner as on 30 Sep 2020 whereby all securities should be 100% Listed.

Valuation norms of all mutual funds should be in Conformity with all the fund houses. Further valuation of securities was to be calculated on Weighted Average Maturity of Securities only, that are held and traded and further no particular security be traded by one's own trade that would unfairly boot the valuation of a security.



## FUND MANAGERS MUST INVEST IN SCHEMES THAT FOLLOW THE MANDATE AND STATED OBJECTIVES AND THE RULES OF PORTFOLIO MANAGEMENT TRACKING AND REPORTING.



### Learnings for Investors and Advisors

Investors and advisors have a lot to learn from the recent spurt of Debt market credit downgrades and financial advisors have a lot of Financial Literacy to be given to investors.

Firstly, investors should not chase yield or high return. Whatever is the ongoing risk-free rate of return I what investors can expect with a +- 0.50% gains. Anything

more than that, would entail, taking undue risk on one's money and investments.

Further, advisors should not blindly believe in Fund Managers and their skills to deliver superior returns. Advisors must measure the Risk Adjusted Returns and check the FULL portfolio breakdown in detail before recommending investment options. Fund managers must invest in schemes that follow the mandate and stated objectives and the rules of portfolio management tracking and reporting.

Advisors need to have a robust Research mechanism to undertake frequent checks on new and existing portfolios and run stress test analysis and scenario analysis based on Redemptions, NAVs, portfolio breakdown.

Advisors must track the redemptions, cash positions, borrowings that the fund has made on a monthly basis to track any untoward movements.

**Source:** [https://www.sebi.gov.in/sebi\\_data/meetingfiles/sep-2019/1568030594032\\_1.pdf](https://www.sebi.gov.in/sebi_data/meetingfiles/sep-2019/1568030594032_1.pdf)

**Views expressed are personal in nature.**

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Dilzer Consultants Pvt Ltd is a SEBI Registered Investment Advisor (RIA). She is also a Life Underwriter Training Council Fellow LUTCF American College USA and IAIFM since June 2007.

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#### AWARDS ASSOCIATIONS MEDIA

- Selected and Incubated at NSRCEL IIM Bangalore for the Goldman Sachs Women's Leadership Program March 2021
- She won the Top 100 Women in Finance Award from Association of Wealth Management of India (AIWMI) September 2020.
- She has won the best financial advisor Woman Category(South) Award in 2019
- She is on the Board of Association of Registered Investment Advisors (ARIA) Association to work with SEBI in improving RIA community.
- She is on the Founder Executive Committee member of the Council of Financial Planners
- She also provides financial literacy to woman as part of the Winvestor forum(a DSP Black Rock Initiative for helping woman on basic financial questions.)
- She has been selected as part of the panel of experts to answer investor queries for the personal finance magazine Outlook Money, ET Wealth, Moneycontrol.com and Mint.
- Her articles and views are regularly published in Financial Planning Standards Board of India Magazine, The Hindu and Economic Times.



# GOLDEN OPPORTUNITY FOR INDIAN FUND MANAGERS AIMING GLOBAL REACH

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Asset Services Advisory, Edelweiss Group

The onset of 2020 made the world topsy-turvy with capital markets experiencing see-saw with sudden deep plunge in markets owing to potential risk of business survival consequent to restriction of movement and an unexpected bounce back with extended bull market run. Luckily, the market correction was short lived given the economist outlook of on-going speedy recovery in many industries. The global assets management companies (AMC) industry posted strong returns and asset under management (AUM) growth rates backed by capital market supported by hedge fund managers who deserve nothing less than Gold Medal in Market Olympics creating wealth for investors and spreading optimism post Covid-19 period.

The investor preferences and priorities since the pandemic have shifted where the fund manager's role is not only to restricted for value creation for the investors but navigating the wealth through unpredictable volatility and contributing towards relative performance by factoring risk-adjusted return in India or the Global markets. The Global asset management business grew by nearly 4.1 percent and given the momentum is likely to remain buoyant and post strong growth of almost 6 percent considering the flourishing outlook despite restrictions due to Covid-19.

Strategically, investor preferences are diverted resulting in tectonic shift of investment flow through tech trading experience to access capital markets. The AMC industry as is evolving from pandemic and performing better returns than expectation basically due to minimal or negative interest rates energising interest in capital markets. Equally, fund managers gained popularity in efficiently managing investments with high rate of savings and work from home concept creating appetite for focused investment and trading from younger generation causing opportunities for the fund managers to promote benefits of long-term investments and curating appealing products.

The Indian investors and fund managers given the investment prospects to maximise returns are now aiming at global multi market strategies since the debut of safe harbour rules in 2015 under the Indian domestic tax laws which is now made conducive. The write-up elucidates on the efforts and amendments made by the Indian Government to promote and activate Indian management of global funds through safe harbour rules by activating opportunities for Indian fund managers to access global markets without any adversities.

## BACKGROUND

The unexpected disruption from pandemic caused upgrading and updating requirement by many firms to keep pace with the jet speed of the markets. The precarious capital market movement was unimaginably, swift and difficult to comprehend on a real-time basis serving an ideal breeding ground to initiate activities and develop innovative strategies and ideas. The adoption of stable investment strength in the dynamic environment through new trading products comprises of hedge funds and innovative investment managers model supported by long-only managers and private capital managers. As the alternative data technology and investment avenues are relatively maturing, the application to long-term investing goals has blossomed exponentially.



**EQUALLY, FUND MANAGERS GAINED POPULARITY IN EFFICIENTLY MANAGING INVESTMENTS WITH HIGH RATE OF SAVINGS AND WORK FROM HOME CONCEPT CREATING APPETITE FOR FOCUSED INVESTMENT AND TRADING FROM YOUNGER GENERATION CAUSING OPPORTUNITIES FOR THE FUND MANAGERS TO PROMOTE BENEFITS OF LONG-TERM INVESTMENTS AND CURATING APPEALING PRODUCTS.**



Overall, the investment management firms' landscape is more likely to see an upsurge both onshore and offshore aided by digital transformation. However, the fund management philosophy has remained unchanged for investors' where investment managers usually set a benchmark for their portfolios to perform on multiple parameters viz. return, risk, diversification, and correlation to indices. The Government policies have augmented reforms

to ease and invite foreign capital investment in India by amending Foreign Portfolio Investor (FPI) Regulations initiated by Indian capital market regulator (SEBI). The FPI Regulations have made exuberant efforts to align KYC and remove restrictions on investment funds operating from well-regulated jurisdictions for sustainable capital into India. Despite policy measures in the right direction, discrimination against Indian fund managers continues where the FPI Regulations introduced Resident Indian (RI) to manage or invest in a global fund from India under restrictions.

A key challenge for the Indian fund manager managing global fund is a relative exposure of domestically constituting a Permanent Establishment (PE) or Place of Effective Management (PoEM) in India of the fund resulting in potential taxability of global income of the fund apportioned in India. Illustratively, a global investor investing in a fund managed by an Indian fund manager investing in Indian markets, may be susceptible for proportionate Indian tax on global income, regardless of global investor's resident status in India, posing an onerous tax regime in India absent in major developed financial markets. In order to resolve this risk the Indian tax authorities had introduced safe harbour rules to protect global investors served by Indian fund managers to mitigate any potential tax attributes.

### 1. REGULATORY ARENA SUPPORTING OFFSHORE FUNDS FROM INDIA

The Indian Government taking cognisance of the tax risks, released measures for remediation through safe harbour rules for the eligible managers under the Indian domestic tax laws. Structurally, to adopt a pragmatic approach for Indian fund managers engaged with global funds and to promote International Financial Service Centres (IFSC), Indian Government constantly improvised fund management rules to efficiently implement changes like, remuneration, relaxation of various conditions. To implement the concept of Indian fund managers managing global funds, SEBI also aligned the FPI Regulations with the tax laws to permit RI eligible fund manager to financially participate in global funds.

#### A. CAPITAL MARKET REGULATIONS PROMOTING GLOBAL FUND MANAGEMENT INDUSTRY

SEBI in September 2019 had announced the renewed SEBI (Foreign Portfolio Investors) Regulations, 2019 to ease the licensing process and consolidate categories of FPI license based on their existence in a Financial Action Task Force member country jurisdiction/s followed by abolishing broad-based investor criteria. The FPI Regulations also clarified that though RIs, Non-resident Indians (NRI) and overseas citizens of India (OCI) cannot apply for FPI license but, may become constituents of an FPI on satisfying the prescribed investor concentration limits. In addition to consolidate various guidelines and circulars issued over the years, FPI Regulations refurbished and simplified the regulatory regime for FPIs for registration, classification as well as investment conditions.

The FPI Regulations now permit RIs (individuals) as participants through Liberalised Remittance Scheme Automatic Route approved by the Indian Central Bank (RBI) in global funds only where Indian exposure is less than 50 percent and NRIs/OCI/ RIs are not in control of such FPI. Conversely, FPIs can be controlled by Fund Manager owned/controlled by NRI/ OCI/ RI only where the Fund Manager entity is appropriately regulated in its home jurisdiction and registers itself with SEBI as an uninvesting FPI or such Fund Manager is an entity incorporated or setup under Indian laws and appropriately registered with SEBI. Additionally, offshore funds for which approval is obtained under SEBI (Mutual Funds) Regulations on satisfaction of conditions like the key personnel of AMC, the systems, back office, bank and securities accounts are segregated activity wise and having systems to prohibit access to inside information of various activities can establish an offshore fund inviting investors across the globe.



**A KEY CHALLENGE FOR THE INDIAN FUND MANAGER MANAGING GLOBAL FUND IS A RELATIVE EXPOSURE OF DOMESTICALLY CONSTITUTING A PERMANENT ESTABLISHMENT (PE) OR PLACE OF EFFECTIVE MANAGEMENT (POEM) IN INDIA OF THE FUND RESULTING IN POTENTIAL TAXABILITY OF GLOBAL INCOME OF THE FUND APPORTIONED IN INDIA.**



In a recent progress to elicit the offshore fund management activities in India, SEBI suitably amended the FPI Regulations to expand the scope of outbound investment and provide specific Indian fund managers (excluding individuals) to become participants of the FPIs provided, they are approved investment funds by the Tax Authorities prescribed under safe harbour rules. The salient features of the amendment to the constituent's of FPI Regulations now include:

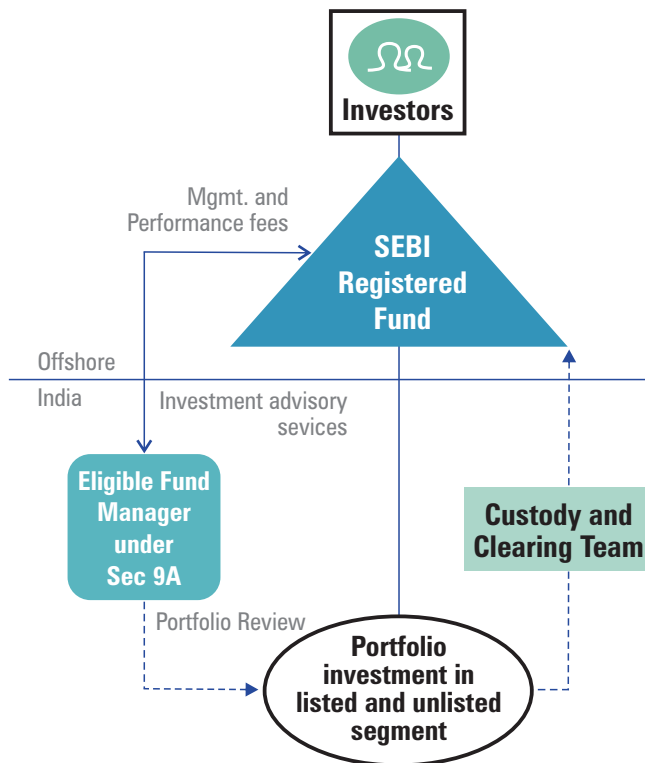
- RIs being an eligible fund manager of the FPI approved under safe harbour rules of the Indian domestic laws; and
- FPI as an eligible investment fund under safe harbour rules of the Indian domestic laws

In order to make the provisions effective, corresponding changes are made for affecting eligibility criteria of the FPI Regulations and the Operational Guidelines for FPIs and DDPs. Broadly, investment conditions for the FPIs are maintained where RIs are permitted to participate in global

funds whose Indian exposure is below 50 percent of its corpus. Effectively, the scope of RIs to participate as Limited Partners or General Partners (LP/GP) of global FPI or even funds established in IFSC is widened to include eligible RI fund managers, being previously restricted to only RIs (individuals) that required approval from SEBI before participating in global FPIs towards sponsor commitment or otherwise to initiate the fund set-up or maximise returns.

## B. EXCHANGE CONTROL FRAMEWORK TO ACCESS GLOBAL FUNDS

Structurally, offshore fund has a fund manager, sponsor and investment committee supporting investment decisions of the funds where the foundation of a fund is typically laid by the sponsor either from India or from global promoters. A diagrammatic representation of the eligible fund manager model is depicted as under:



### Validation to the structure is permissible per facts

An Indian entity being a company, partnership firm or an LLP or any other entity in India notified by the RBI qualifies to make offshore investment under Automatic Route. Indian company or regulated entities engaged in financial services sector activities can also explore global investment through a Joint Venture/Wholly Owned Subsidiary (JV/WOS) in the financial services business on satisfaction of certain conditions where such Indian entity:

- is registered with the regulatory authority in India for conducting the financial sector activities
- earns net profit during the preceding 3 financial years from the financial services activities
- has obtained approval from its regulatory authorities governed both in India and offshore before exploring financial sector activity

- fulfils prudential norms relating to capital adequacy as prescribed by the concerned regulatory authority in India

Logically, any additional investment / financial commitment by an existing JV/WOS or its step down subsidiary in the financial services sector is also obliged to comply with the prescribed conditions. Activities by an Indian entity through a JV / WOS for trading in Overseas Commodities Exchanges is treated as financial services activity and requires prior approval owing to the merger of Forward Markets Commission with SEBI.

Technically, RBI norms for offshore investments made by Indian based Party or entities (IP) had anomaly absent express rules for investment route in approved offshore Alternative Investment Funds (AIF) and in IFSC. Consequently, AIF in IFSC or in offshore jurisdiction sponsored by IP based entities has to undergo multiple conditions primarily to obtain prior approval from the RBI to make a case for establishing such fund. As a precursor, AIF regime in IFSC mandates fund managers to comply with AIF regulations like sponsor commitment of 2.5 percent of the corpus, or USD 0.75 million for Category 1 and 2 AIFs, whichever is lower and for Category 3 AIFs it is 5 percent of the corpus or USD 1.5 million, whichever is lower that involves fund remittance outside India for establishment.

In order to facilitate IP entities to seamlessly promote fund vehicles in approved AIF offshore jurisdictions including IFSC without any approval process, RBI notified that any sponsor contribution from an IP entity to an AIF established in an overseas jurisdiction, including Indian IFSCs will be treated as overseas direct investment outside India under the Automatic Route subject to satisfaction of the prescribed conditions. The move paves way for IPs to participate in global funds without any restrictions and manage offshore funds for creating a proven track record with global funds or investing in global products to maximise returns.

## 2. TAX-ECONOMY INSPIRING GLOBAL FUNDS MANAGED FROM INDIA

Global fund management activity is the responsibility of a fund manager and generally the PoEM is considered to be situated in the jurisdiction where such fund manager is located and has decision making capability. Usually, global funds are located in countries where the tax rate is substantially low having favourable tax treaties with the jurisdictions where the investments are proposed to be made. The tax motivated fund establishment raises a common issue of where the PoEM of such funds is situated that consequently attract tax liability in respect of income of such funds.

The concept of PE or taxable presence of funds in source jurisdiction is largely dealt by the OECD and UN Model tax Conventions. The term PE or taxable presence is not expressly defined but, in the context of a Fund where Indian investment advisor is located to render investment advisory

services to offshore Fund Manager, the Indian tax authority can examine the existence of PE as fixed place of business, Agency PE or Service PE, PoEM in India and so on for tax attribution. Hence, such anti-abuse deeming concepts present in the tax legislations have compelled global funds to operate and manage their strategies using Indian talent pool through their migration. In effect, a large proportion of fund management activities are governed through globally based Indian origin fund managers.



**OVERALL THE INCENTIVE PROPOSED BY THE GOVERNMENT TO ENSURE REAL IMPLEMENTATION OF MANAGING GLOBAL FUNDS FROM INDIA THAT WAS NOTIONAL IN NATURE OWING TO STRINGENT CONDITIONS, HAVE NOW STARTED TO TAKE SHAPE AND REFLECT SIGNS OF PRAGMATISM OWING TO MULTIPLE SUGGESTIONS FROM THE STAKEHOLDERS BEING ACKNOWLEDGED TO BOLSTER THE INDIAN FUND MANAGEMENT ACTIVITIES.**



#### **A. SAFE HARBOUR RULE FOR ELIGIBLE FUND BUSINESS**

Essentially to encourage fund management activity from India, the Finance Act, 2015 had introduced safe harbour Rules to facilitate Indian fund managers to repatriate and manage offshore funds with India centric focus from India. The fund managers adopting safe harbour Rules as an eligible fund manager in India can execute fund management activity on behalf of an eligible investment fund to absolve itself from constitution a taxable presence or a tax resident of such eligible investment fund in India. It is pertinent to note that the provisions exclude an eligible investment fund from being regarded as a resident in India for tax purposes under the PoEM guidelines if the eligible fund manager undertakes fund management activities even though situated in India only when the primary conditions to qualify for the safe harbour rules are satisfied as under:

##### **1. For Eligible Investment Fund**

- foreign resident where the resident country has entered into a tax treaty with India
- Indian resident, directly or indirectly, invests not more than 5 percent of the corpus
- activities are subject to applicable investor protection regulation in the country of its incorporation
- has minimum of 25 members who are directly or indirectly unconnected persons

- member along with affiliates cannot invest more than 10 percent in the Fund
- 10 or less members along with their affiliates cannot participate more than 50 percent in the Fund
- cannot invest over 20 percent of its corpus in any entity and make investments in an associate entity
- monthly average of corpus is over INR 1 billion and in case of new Fund corpus of INR 1 billion to be tested at the end of financial year
- cannot undertake or control and manage any business in India or from India
- no activities in India that constitute taxable presence in India nor has any person in India acting on its behalf whose activities constitute PE other than activities undertaken by the eligible fund manager on its behalf
- permitted to pay fund manager on arm's length principle with exceptions in case of an investment fund established by the Government or the Central Bank of a foreign State or a sovereign fund, or such other fund as notified by the Central Government

##### **2. For eligible fund manager**

- is not an employee of the eligible fund or its connected person
- registered as a fund manager or an investment advisor in accordance with the specified regulations
- acting in the ordinary course of business
- along with its affiliate is not entitled to more than 20 percent of the profits accruing or arising to the fund from transactions carried out by the fund through its fund manager

Conspicuously, the onerous conditions prescribed caused practical difficulty for most of the Private Equity Funds and their Fund Managers to satisfy the cumbersome conditions and avail the safe harbour benefit. In this regard, relevant stakeholders made several representations to the Government indicating the challenges envisaged to comply with the prescribed criteria. Indian Government taking cognisance of the suggestions made suitable amendments from time to time, especially liberalising the conditions related to broad basing of investors and related party connection in the fund for the investment fund established by the Government or the Central Bank of a country other than India, a sovereign fund, or any fund which Indian Government may notify.

Separately, in order to align the relaxed safe harbour conditions with the revised 2019 FPI regulations for applicability of the prescribed exemption to FPIs falling under Category I license excluding FPIs other than Category I, the tax authorities issued a notification to clarify that funds established as Category I FPI shall qualify for similar relaxation as that of Sovereign funds.

The safe harbour rules prescribes numerous complex conditions for an offshore fund and its Indian fund managers to be satisfied to claim exemption from taxable presence or PoEM in India. One of the vital conditions for an eligible fund

manager to avail exemption is towards payment of remuneration to the fund manager to be on arms' length basis. The Finance (No. 2) Act, 2019 made this provision more objective oriented to stipulate that the remuneration paid by the fund to an eligible fund manager undertaking fund management activity should meet a minimum threshold as computed under safe harbour Rule where the manner of calculating the minimum threshold will be prescribed.

The Tax Authorities aimed to grant certainty for computing remuneration, issued notification for the fund manager qualifying for safe harbour Rules. In case of eligible investment fund registered as Category I FPI based on its status as an endowment fund, a sovereign wealth fund, a Government, a university, an appropriately regulated entity like banks, insurers, managers, advisers etc. the amount of remuneration for the eligible fund manager shall be at least 0.10 percent of AUM. In all other cases, the amount of remuneration for the eligible fund manager is required to be at least:

- 0.30 percent of AUM; or
- 10 percent of profits derived by the fund in excess of the specified hurdle rate, where the fund manager is entitled only to remuneration linked to the income or profits derived by the fund; or
- 50 percent of management fee, where the fee is shared with another fund manager reduced by operational expenses

Simultaneously, the arm's length remuneration rule permits the tax authorities to approve a lower remuneration to be charged if the eligible investment fund is capable to satisfy. As part of the compliance obligation eligible fund manager is obliged to obtain a specific report from an accountant towards activities undertaken for the eligible investment fund being an additional report to be furnished by the eligible fund manager over and above transfer pricing reporting.

The Finance Act, 2021 announced a land mark policy to permit offshore funds from other countries to re-domicile / relocate to the IFSC by transferring Indian assets to qualify for tax neutrality on satisfaction of certain conditions. As a result the tax amendment treats relocation of offshore funds from another country to the IFSC tax neutral transfer for the fund as well as the investors in the fund. However, given the amendments to the tax laws for IFSC, such a relocated fund will continue to avail benefit of capital gains tax exemption otherwise available under the respective tax treaty for specified securities. The amendment is revolutionary and will compel global fund managers to relocate seamlessly without any additional tax incidence thus, providing add-on opportunity for Indian fund managers to explore management of such relocated global funds in IFSC.

## **B. INDIRECT TAXES**

The advent of Goods and Service Tax (GST) is a one in a decade reform introduced by the present Government to simplify indirect tax laws by consolidating various indirect

tax provisions that has delivered planned revenue to the Indian exchequer. As the dust of direct tax issues in the funds industry settles offering certainty, a new controversy has emerged emanating from a recent Bangalore Tribunal case that, regards taxability of activities carried out by Indian Funds under the erstwhile service tax regime. Before the ruling there was no requirement of indirect tax levy on the Indian fund industry especially established as a trust adopting the concept of mutuality principle. Briefly, the ruling aims to disrupt the established position by levying service tax on expenses incurred by a venture capital fund (VCF) incorporated as a trust, as consideration received towards asset management services. Also, distribution of carried interest to the AMC and other expenses incurred by the VCF in the course of its operations has also been characterized as service income of the trust.

The ruling is expected to have wide ramifications on the fund industry that makes it pertinent for all types of fund establishment including global funds (if interpreted) served by Indian fund managers to carefully analyse the impact of this ruling to determine applicability of indirect taxes and compliances. In fact, any structure similar to a Trust or fund operating as a pooled vehicle receiving contributions to implement a common goal, would now need to evaluate the potential risk of service tax/GST levy, at an entity / fund level and in the hands of their fund managers and other stakeholders.

The potential impact of the ruling may not be restricted to only domestic funds but, may also be extrapolated to the global funds where such funds constitute a taxable presence of such in India and require Indian fund manager to discharge the global funds indirect tax obligation under the reverse charge mechanism in light of offshore funds are unregistered entities under indirect tax rules. It will be an interesting development to track and explore innovative concept of IFSC an offshore jurisdiction in India that can become a hub for such global activities including option to relocate considering the express GST exemptions. Infact, the dispute is likely to be settled only at the higher level of Court as the issue is a substantial question of law that will have far reaching implications on the fund industry.

## **INDIAN APTITUDE WILL ALWAYS REMAIN IN DEMAND**

Overall the incentive proposed by the Government to ensure real implementation of managing global funds from India that was notional in nature owing to stringent conditions, have now started to take shape and reflect signs of pragmatism owing to multiple suggestions from the stakeholders being acknowledged to bolster the Indian fund management activities. India is all poised to place itself in the world map to significantly contribute in the fund management industry aiming at a large share of pie particularly, when the global AUM is expected to double by 6.2% a year, from ~USD 85 trillion in 2016 to ~USD 145 trillion by 2025 with developing markets of Latin America and Asia Pacific delivering fastest growth.

The Indian fund management industry has not been able to take advantage of the safe harbour rules due to stringent requirements and impractical compliance by investment funds in general. The amendment to the tax Rule by the Indian Government is a manifestation as an encouraging step in the right direction to promote Indian fund managers that were truly unexploited to the core and bring Indian to the centrifugal point for the fund management activities.



**ALL-IN-ALL GIVEN THE PRESENT SCENARIO, THE SAFE HARBOUR REGIME UNDER TAX AND THE ELIGIBILITY CRITERIA FOR INDIAN ELIGIBLE FUND MANAGERS ACCESSING GLOBAL FUNDS BY SEBI WILL MAKE SUCH FUND HOUSES MORE REALISTIC TO INDULGE IN RELATION WITH INDIAN FUND MANAGERS IN TIMES TO COME INCLUDING GIVEN THE PROFUSE OPPORTUNITIES IN IFSC.**



#### KEY TAKEWAYS

The focus on creating an indigenous global fund management ecosystem in India by repatriating Indian origin fund managers living globally is likely to create piles of opportunities on Indian shore. The numerous amendments offering various concessions in the legislation articulate a long term vision of the Indian Government towards fund management industry. As India is at a turning point to compete with matured fund jurisdictions it may be worthwhile to assess extension of safe harbour benefits to all fund managers/ advisors of new offshore funds opting out of tax treaty benefits and volunteering to pay tax in India. The analogy is affiliated with the amendments made to tax treaties between India and countries like Mauritius, Singapore and Cyprus that now grants taxing rights of capital gains income earned by offshore funds from Indian portfolio companies to India regardless of whether the offshore fund has a business connection in India or not.

The Government with the refreshed SEBI FPI Regulations is agile and receptive to promote enhanced investment activities in India by excluding broad-basing conditions. Drawing a corollary, the Regulators may consider eliminating conditions under safer harbour Rules of minimum number of investors, limits on their participation interest, minimum corpus requirement, etc. for the global fund where they are compliant with the SEBI FPI Regulations. The proposal to dilute tough conditions for regulated funds under a prevalent FPI Regulation will not only make safe harbour provisions more realistic but will also harness unified principle adopted

by the Indian Government under domestic tax laws and the SEBI FPI Regulations.

The amendment of minimum manager remuneration under the safe harbour guidelines appear to be consistent with present international market practices thus, making it viable for funds to meet the management fee threshold. Ceteris Paribus it may also be explored to introduce relaxation of minimum sponsor commitment prescribed for Indian based eligible fund managers who are eager to invest time efforts, capital and willing to take risks in the IFSC zone to promote such jurisdiction and making an attempt to instigate foreign currency activities in Indian shore that, could facilitate a level playing field compared to global fund regimes that does not prescribe any minimum capital commitment prevalent in such jurisdictions.

The attempt to resolve uncertainty in fund management Rules by the Government would make the present regulations attractive for the global funds to divert their attention towards Indian fund managers that equally is true for Indian fund managers contemplating offshore opportunities to make alpha for their new investors. It is reasonable to expect a clarification on the technical glitch for an AIF in IFSC structure investing in India through an FPI license, if they meet the condition of regulated fund manager within the definition of FPI regulations since the fund manager pursuant to the AIF Regulations is simply regarded as a deemed regulated entity and not obliged to formally register as an Investment Adviser with SEBI. It may be worth clarifying that, as the Fund manager is expressly exempt under AIF Regulation to independently register as an intermediary, relying on the spirit of the law it should qualify for a regulated status. The position will repose confidence of the existing fund managers and resolve any anomaly to explore IFSC jurisdictions without any hesitation.

Importantly, eligible fund are obliged to comply with at least 25 members who are, directly or indirectly not affiliates and limits the maximum participation interest of members in the eligible investment fund etc. Apropos, even FPI Regulations have relaxed the conditions for global funds to achieve broad-basing where SEBI is now focusing on the source of funds and investor KYC. Accordingly, broad basing requirement prevalent in the safe harbour tax rules may be abolished to align them with the concept of professional or accredited investor recently introduced by SEBI applying the internal best practices for Indian fund managers managing an AIF in IFSC. All-in-all given the present scenario, the safe harbour regime under tax and the eligibility criteria for Indian eligible fund managers accessing global funds by SEBI will make such fund houses more realistic to indulge in relation with Indian fund managers in times to come including given the profuse opportunities in IFSC.

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# NATIONAL PENSION SCHEME – ONE OF THE BEST RETIREMENT PLANNING TOOL

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

**T**oday retirement planning has gained importance among most Indians and people have started investing in retirement goals in different products with long-term investment horizons. We keep receiving queries from our clients who want to know where should they invest so that their retirement goals can be achieved.

There are multiple investment options available in the market for successfully planning the retirement. Some of them are mutual funds, pension plans provided by insurance companies, PPF or EPF etc. Selecting the right product is a bit difficult and confusing and if one does not invest wisely for his retirement, he could end up losing an opportunity to gain extra returns on his investment.

One of the best investment options for retirement planning is National Pension Scheme (NPS), which also gives tax rebates. NPS is a defined contribution pension scheme launched by the Government of India to provide old age security to Indian citizens. It offers an attractive long-term saving avenue that plans for your retirement through regulated market-based returns. The scheme is regulated by Pension Fund Regulatory and Development Authority (PFRDA).

NPS is a voluntary contribution pension scheme for an individual. However, it is compulsory for all the government employees who joined services after 2004. It is a low-cost product that allows exposure to equity (up to 75% of the corpus) and is reasonably tax-efficient.

There are two types of accounts in NPS, Tier I and Tier II. Tier I account is a pension account that is mandatory to open to join NPS and withdrawals are restricted in it, however, the opening of a Tier II account is optional. It can be considered as an investment account and withdrawal is allowed in it. In Tier I account one can do partial withdrawals of up to 25% of your contributions, it is only for specific purposes like higher education, the marriage of children, purchase/construction of the house and specific illness. However, this partial withdrawal in Tier I can happen a maximum of three times during the entire tenure of subscription.

### Flexible Asset Allocation

NPS offers two investment approaches to investors: Active choice and Auto choice. In Active choice, the subscriber

selects the allocation percentage in assets classes like Equity, Debt, Government Securities and Alternative Investment Funds. However, in Auto choice, your money will be invested in different asset classes in defined proportions based on the investor’s age. As an individual’s age increases, exposure to Equity and Corporate Debt are gradually reduced and that in Government Securities is increased. Provided the mix portfolio of different asset classes, in the longer period equity and alternative investments generate alpha to the portfolio and help to keep the portfolio returns above the inflation rate in longer tenure whereas debt and government securities provide stable returns to the investor’s portfolio.



**ONE OF THE BEST INVESTMENT OPTIONS FOR RETIREMENT PLANNING IS NATIONAL PENSION SCHEME (NPS), WHICH ALSO GIVES TAX REBATES. NPS IS A DEFINED CONTRIBUTION PENSION SCHEME LAUNCHED BY THE GOVERNMENT OF INDIA TO PROVIDE OLD AGE SECURITY TO INDIAN CITIZENS.**



### Low Cost & Effective

NPS is extremely low-cost. Pension fund manager fees in NPS is currently capped at 0.01% and a proposed hike in the next round of fund manager licences may bring them slightly higher compared to the current fund manager fees, which is far lower than most other financial products charge. For example, mutual fund expense ratios are capped at 2.25%, while insurance policies come riddled with even higher charges.

### Tax Benefits While Contributing To NPS

NPS qualifies for the normal tax-saving space available under Section 80C of Rs 1.5 lakh and an additional Rs

50,000 under Section 80CCD (1B), which is exclusively for NPS. The scheme, therefore, allows a tax deduction of up to Rs 2 lakh in total. The additional tax benefit is also available to investors if they convert their account to the Employer NPS account in which under section 80CCD (2) Employer's NPS contribution (for the benefit of employee) up to 10% of salary (Basic + DA), is deductible from taxable income, without any monetary limit. It will further reduce the tax liability of the investors. These tax benefits are only available in Tier I NPS account.



**IF YOUR INVESTMENT HORIZON IS SHORT THEN THIS PRODUCT MAY NOT SUIT YOU BUT GIVEN THE BENEFITS OF IT, MAKES NPS A GREAT RETIREMENT SAVINGS SCHEME FOR THE INVESTOR WHO IS LOOKING FOR RETIREMENT PLANNING AND CAN STAY INVESTED FOR A LONGER PERIOD.**



#### Portable

If the investor is not happy with the performance of the selected pension fund manager, then he can easily switch from the current pension fund manager to another at any point in time plus an inactive choice of investment, one can change its asset allocation too. Apart from the pension fund manager, if the investor wants to change its point of presence (POP) he can easily do that too. The PFRDA has authorized 58 institutions including public sector banks, private banks, private financial institutions and the Department of Posts as POPs for opening the National Pension System (NPS) accounts of the citizens.

#### Principle Driven Long-Term Retirement Planning

As in Tier, I account of NPS, there are limited options available for partial withdrawal and that too with a maximum of three times during the entire tenure of subscription provide investors to stay invested till the time of retirement and the returns generated through investments are accumulated for the pension corpus and is not distributed by way of dividend or bonus in between the tenure. Given the limitation of partial withdrawals and no distribution of returns through dividend or bonus during the tenure, one can consider it as one of the worthwhile options to build a

retirement corpus as non-distribution of returns in between the tenure increases the potentiality of multiplier returns.

#### Transparent

The pension fund managers declare Net Asset Value (NAV) at the end of each business day. Accordingly, subscribers can track the value of the investment on day to day basis and accordingly carry out regular monitoring and performance review of their selected pension fund managers.

#### Comparison of NPS with other tax saving / long-term investment products considered for retirement planning

Investment	Interest Rate	Lockin Period	Risk Profile
NPS	8%-10% (Expected Return)	Till retirement	Market-related risks
ELSS	12-15% (Expected Return)	3 years	Market-related risks
PPF	7.10%	15 years	Risk-free
FD	5.50%-6.00%	5 years	Risk-free

Despite all the above-discussed advantages of NPS, there are certain disadvantages too. The return under NPS is market-driven. Hence, there is no guaranteed/defined amount of return. When investors reach their retirement age of 60, they are forced to put 40% of the corpus in low-yield and tax-inefficient options if the corpus is more than 5 lakhs. If they exit before the retirement age, 80% of the corpus needs to be used to buy an annuity. This annuity, when received, is taxable in the year of receipt.

If your investment horizon is short then this product may not suit you but given the benefits of it, makes NPS a great retirement savings scheme for the investor who is looking for retirement planning and can stay invested for a longer period. One should keep in mind that while approaching retirement age, the asset allocation should ideally be more focused on debt or government instruments which will provide the limited impact of market volatility on its retirement corpus.

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



# UNDERSTANDING THE BASICS OF SUSTAINABILITY: FOCUSING ON NET ZERO

Koel Ghosh  
Head – South Asia, S&P DOW JONES INDICES

The increasing focus on sustainability inclusion is being reflected through the markets’ growing recognition of the financial materiality and impact of ESG issues on corporate balance sheets. Therefore, the range of ESG offerings has expanded to include climate change indices, carbon efficient, fossil fuel-free indices and thematic ones which include clean energy and water indices.

carbon emissions relative to their underlying benchmarks, the indices also seek to decarbonize on an absolute basis at a rate of 7% year over year. According to the Intergovernmental Panel on Climate Change, this is the rate of decarbonization required to achieve net-zero emissions by 2050 and limit global warming to 1.5°C.

The 2016 Paris Climate Agreement resulted in many countries pledging to net zero goals. Net zero, also referred to as carbon neutrality, is the scenario wherein the carbon or greenhouse emissions are balanced by absorbing the same from the atmosphere. Since there are heavy industries such as chemical, steel and cement and some others that cannot achieve absolute zero targets, the goal is to create a ‘net zero’ target. The negative impact of global warming has been recognized worldwide, and action is being taken across industries. Regulators, product providers, and investors have also joined the cause by taking stock of the climate risks in their holdings and align mentto the scenario in which global warming increases by no more than 1.5°C.

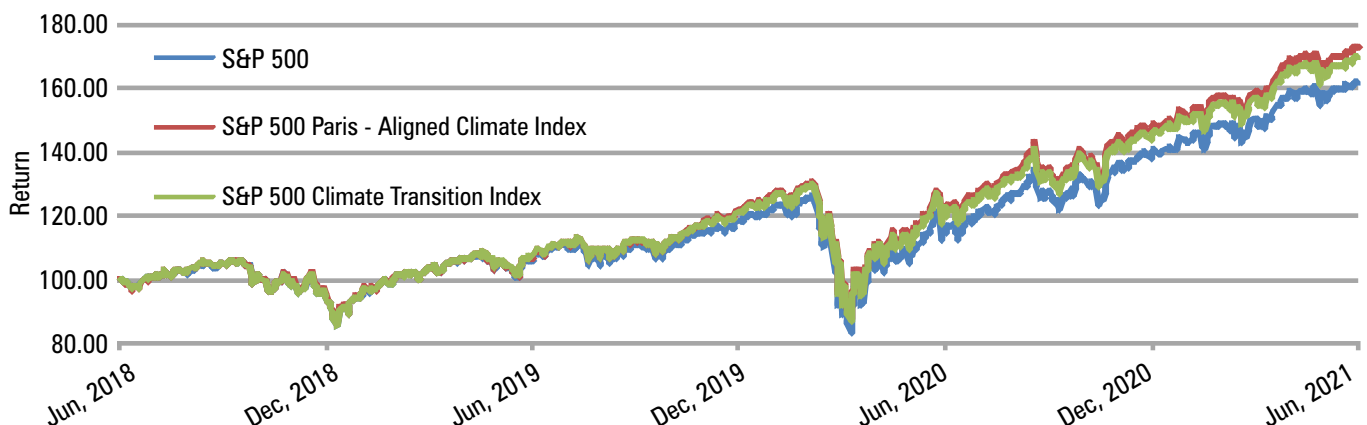
In order to help market participants looking to chart a path to net zero, we designed the S&P PACTTM Indices (S&P Paris-Aligned & Climate Transition Indices), to meet the minimum standards for the EU Paris-aligned and EU Climate Transition Benchmarks. In addition to lowering



**THE INCREASING FOCUS ON SUSTAINABILITY INCLUSION IS BEING REFLECTED THROUGH THE MARKETS’ GROWING RECOGNITION OF THE FINANCIAL MATERIALITY AND IMPACT OF ESG ISSUES ON CORPORATE BALANCE SHEETS. THEREFORE, THE RANGE OF ESG OFFERINGS HAS EXPANDED TO INCLUDE CLIMATE CHANGE INDICES, CARBON EFFICIENT, FOSSIL FUEL- FREE INDICES AND THEMATIC ONES WHICH INCLUDE CLEAN ENERGY AND WATER INDICES.**



**Exhibit 1: Debunking the Myth that a Sustainable Factor Overlay Results in Underperformance**



INDEX	INDEX LEVEL	RETURN (%)				
		MTD	QTD	YTD	1 YEAR	3 YEAR ANNUALIZED
S&P 500 Paris-Aligned Climate Index	2,250.86	1.44	8.14	14.74	42.32	19.95
S&P 500 Climate Transition Index	2,184.50	1.33	7.69	14.11	41.13	19.21
S&P 500	8,833.68	1.09	7.22	13.85	40.68	17.33

Source: S&P Dow Jones Indices LLC. Data as of June 15, 2021. Index performance based on total return in USD. Past performance is no guarantee of future results. Chart and table are provided for illustrative purposes.

Exhibit 1 demonstrates that the addition of sustainability factors does not necessarily compromise the returns for the index.

The broad layer of sustainability screens available is unlimited for those keen on this strategy. There are different sustainability versions of benchmark indices like the **S&P ESG Dividend Aristocrats Index Series, S&P Global Clean Energy Index, S&P Global Water Index, Dow Jones Green Real Estate**, etc.

Sustainable factors focus on addressing global issues, and investment strategies are incorporating them in a coordinated effort toward a positive change. The events of the past year have caused many businesses to consider ESG risks and opportunities and the role they play in achieving financial resilience, thereby fueling ESG adoption within the investment community.

In India, companies like Reliance Industries, HDFC Bank, Tata Consultancy, Infosys are pledging their commitment toward net zero along with several other global companies across the globe. The country's efforts to align with the global focus on climate change is a tall task involving reduction in coal which is the

primary source of energy and power generation. However, efforts are in progress with initiatives such as the world's largest solar energy project to generate 175 gigawatts of renewable energy capacity by 2022 and 450 GW by 2030, tackle deforestation, regulatory disclosure requirements by top companies for ESG disclosure being introduced along with the governments focus via varied projects. Even though these are small steps, they are aimed towards the 'net zero' target.

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

**Koel Ghosh** is the regional head of South Asia for S&P Dow Jones Indices (S&P DJI). Koel leads the regional commercial efforts and actively educates and advocates for passive investing. She explores new markets and works with market participants to offer suitable solutions.

Her previous experience in the asset management and financial industries add to her in depth knowledge in that space. She contributed to the growing Indian asset management industry through her marketing and sales roles at IL&FS Mutual Fund and UTI Asset Management Company. At Thomson Reuters, she further extended her business development skills in the financial data industry.

She additionally heads up the business initiatives in India and serves as Managing Director and Chief Executive Officer of Asia Index Private Limited (a BSE and S&P DJI venture).

She was recognized by AIWMI as one of the top 100 women in finance in India in 2019. She is a Chartered Accountant.



# SECRET BEHIND STRENGTH & SUCCESS!

Kranthi Bathini  
Director, WealthMills Securities (P) Ltd.

**O**n August 2, 2021, Bill and Melinda Gates separated after 27 years of marriage. In July 2019, one of the richest men on the planet and the founder of Amazon, Jeff Bezos divorced his wife of 25 years, MacKenzie Bezos. The events did surprise most of us.

So why am I talking about divorces in a column about the economy?

When I meet investors across the globe, they are exuberant about India's robust growth, even more than us. It got me a bit perplexed by the variety of views. So, I decided to take a deep dive to understand the pivot points behind India's story. What I discovered was nothing short of amazing. It is our marriage and family system that has been, by far, the most powerful asset for our country. Yes, you read that right - the family system is behind the strength of India's vibrant growth.

The success of an economy depends on its people - or the human capital. The way an economy efficiently uses its human capital for development and providing employment is often referred to as demographic dividends. And this is a term often used with regards to India. The strength of this is derived from the marriage system.

We get educated to gain knowledge and wisdom. From wisdom, we derive solutions which lead us to revenue generation. This revenue then translates into savings, investment and for spending on self and the well being of the family. This is the ultimate theme of majority of folks. For an economy, people are key and their productivity is the linchpin. In financial planning your family and your age will play a vital role, which reflects in the economic development of the country.

Let me share some statistics from other countries. The average age in China is 38 years. About 72% of the population is between the age group of 15 and 64 years. The nation also has a large aging population. Chinese household consumption is extraordinarily low, in part because Chinese households can't rely on the traditional safety net for old-age - children. As a result of the government's single child policy, in the past 30 years China has seen a surge in number of people above 45 years. It also indicates diminishing productivity as in a family of 5, everyone will have to depend on one young earning child. The policy has left at least a million parents childless and alone in their autumn of life.

In 2015, the Chinese government raised the birth limit to two, an effort to reverse declining birth rates and rejuvenate an aging population. In May 2021, it announced that Chinese families could have up to three children.



**THE SUCCESS OF AN ECONOMY DEPENDS ON ITS PEOPLE - OR THE HUMAN CAPITAL. THE WAY AN ECONOMY EFFICIENTLY USES ITS HUMAN CAPITAL FOR DEVELOPMENT AND PROVIDING EMPLOYMENT IS OFTEN REFERRED TO AS DEMOGRAPHIC DIVIDENDS. AND THIS IS A TERM OFTEN USED WITH REGARDS TO INDIA. THE STRENGTH OF THIS IS DERIVED FROM THE MARRIAGE SYSTEM.**



The new "three-child policy" received generally lukewarm responses in China. Many Chinese couples say they prefer not to have multiple children due to the rising cost of raising children, the challenges it will pose to a women's professional aspirations, and a declining preference for a son. China scrapped its decades-old one-child policy in 2016, replacing it with a two-child limit which has failed to lead to a sustained growth in population. The cost of raising children in cities has deterred many Chinese couples to further expand their families. On a lighter note, its not contraceptive measures but the high cost of education and school fee that is stopping people to have children.

Now let us turn our focus to the recent Chinese action on its innovative unicorns.

The Chinese Communist Party-state, at times cracks the whip to remind entrepreneurs where the actual power lies. However, in the latest instance regulators had a legitimate reason. The education startups, Edtech's high-priced

products were a strain on middle-class household budgets while placing intolerable stress on children. On top of that, high education costs undermine the government's policy of encouraging families to have more children. (Three kids now being the target.)

**In the USA**, with rising divorce rates, in 2019, 40% of babies were born to unmarried girls. In 1980, 18% of the mothers were unmarried. As per Brookings Report released in May, low birth rates and a below replacement-level fertility rates in the U.S. are probably here to stay for the foreseeable future. As per U.S state department statistics, every year more than one lakh girls under age 17 are diverted toward sex trade. A worrying sign that could destabilize the nation over some time.

**In Japan**, 25% of the population is above 65 years and the median age at 48 years. Japan has the highest proportion of elderly citizens to the total population of any country in the world. It is experiencing a "super-aging" society. both in rural and urban areas. According to 2019 estimates by the World Bank, 33% of the Japanese population is above the age of 60, 25.9% are aged 65 or above, and 12.5% are aged 75 or above. which indicates less productivity. Japan's population has been declining since 2009. In 2009, the population was 128.56 million and is expected to be 126.48 million by the end of 2020. The population is expected to fall below 100 million by 2058. The main cause of Japan's population decline is the rapidly decreasing number of births, which is currently at the lowest it has been since data started being collected in 1899. In 2019, only 864,000 babies were born in Japan - 54,000 less than the number from 2018 Japan's efforts to increase its birth rate have been unsuccessful and the country's population is slowly declining. Some put the blame on the economy, stating that childcare is too expensive and there is a lack of stable, well-paying jobs that would allow men to provide for their families.

**In European nations**, high cost for child delivery has led the average European to stop considering children, resulting in plummeting population growth and in turn, hurting the economy. Very recently the Russia has been proactively trying to spur demand. It announced a good number of schemes and incentives to people who were giving birth to 4 children and above. Russia is where the romance is!

Family instability too, is another factor hurting especially the poor children. Poor or less educated couples are more likely to break up and when that happens the economic consequences are more severe than for the well off. The cost of maintaining two houses, shuttling children between the two parents' income, leaving less for the necessities, let alone counselling or remedial tuition to help devastated children cope with the breakup. Divorce, therefore, affects the children's health, hygiene, and schooling far more in a poor family than in a rich family. Inequality tends to further perpetuate itself through the social environment. To the extent that it is caused by a significant part of the

population not being able to improve themselves because of lack of access to quality education.

The Father of Economics, Adam Smith says that while population growth might increase the total wealth of nations, it is only productivity improvements that could make a nation richer on a per capita basis. According to Economist Solow, the key to productivity is technology.

The U.S. and other developed economies did not become rich because they had abundant natural resources or capital falling like manna from heaven. Rather, they became rich through a virtuous cycle in which technology improvements helped the capital to become more productive, which in turn led to more capital investments. Without technology growth, capital would grow in proportion to population, and wealth per capital would simply level off.

The dynamics of the economy and life changes in every decade. For example, in 1970, civil engineering was a profession in demand and now in 2010, financial services is in vogue. I believe, when planning a family, ensure that there is a longer gap between the children so that they remain in touch with newer emerging trends. The greatest gift you can give to your children is education.

Parents should also consider teaching the Mandarin language to their children. Several studies have shown that Mandarin speakers use both sides of their brains! It will help children develop creative and critical thinking skills. Learning to write characters helps in developing the motor skills, and visual recognition will keep the mind sharp if they choose to learn written Chinese. As we progress, India and China may see much deeper business engagement which will be a great opportunity.

Even if you are single or not interested in getting married, adopt a child and assist him or her to achieve a better and brighter life. Your decision to marry, or separate or have kids will have a significant impact on the nation. The median age in India is 28 years. Don't take it for granted that opportunities will keep following us! About 43 cores Indians are now in the age between 18 to 35. These factors are one of the key reasons behind the success of digital & tech companies in India and their journey on stock markets. The recently listed Zomato and upcoming Nykaa, Paytm, Mobiwik, Delhivery, urban ladder, etc to name a few are all riding on this digital wave because of young population.

The Indian government should plan well to stimulate population growth! Or else we too will face dire consequences like Japan or China.

**Views expressed are personal in nature.**

**Kranthi Bathini** has over 20 years of experience in capital market and currently working as Equity strategist at WealthMills Securities Pvt. Ltd. based at Mumbai.



## LATEST UPDATE ON PROVIDENT FUND

Ramesh L. Soni  
Management Consultant and Advisor on Labour Laws

### HOW TO CALCULATE EDLI AMOUNT? (Employee Deposited Insurance Under PF)

**WITH EFFECT FROM 15th February 2020 THE EPFO HAS INCREASED THE MAXIMUM EDLI BENEFIT TO RUPEES 7 LACS FOR THE NOMINEE OF THE DECEASED EMPLOYEE. (vide Gazette notification dated 29th April, 2021)**

EDLI is a life insurance cover which is inbuilt in the EPF system when an employee dies while in service, the nominee of the deceased employee will receive EDLI benefit. This benefit will be minimum Rupees 2.5 lacs and maximum rupees 7 lacs.

#### How to calculate EDLI benefit amount?

The Formula is as Below

EDLI benefit = Last 12 Month Average Monthly PF Wage / Salary (subject to a maximum of Rupees 15,000/-) X (multiplied by) 35 + 50% of average balance in PF A/c or Rs.1,75,000 whichever is less



**EDLI IS A LIFE INSURANCE COVER WHICH IS INBUILT IN THE EPF SYSTEM WHEN AN EMPLOYEE DIES WHILE IN SERVICE, THE NOMINEE OF THE DECEASED EMPLOYEE WILL RECEIVE EDLI BENEFIT. THIS BENEFIT WILL BE MINIMUM RUPEES 2.5 LACS AND MAXIMUM RUPEES 7 LACS.**



#### MINIMUM EDLI BENEFIT WILL BE RUPEES 2,50,000/-

##### CASE STUDY NO. 1

Considering an example of an Employee having an average monthly salary / Wages of Rs. 12,000/- (last 12 months)

And his last 12 months' average PF balance to be rupees 3,00,000/-

So the EDLI benefit will be calculated as follows

EDLI benefit

$35 \times 12,000 = 4,20,000/-$  (A)

Plus 50% of 3,00,000 or 1,75,000 whichever is less = 1,50,000/- (B)

$(A) + (B) = 4,20,000 + 1,50,000 = 5,70,000$  (Total EDLI benefit)

## CASE STUDY NO. 2

Consider an Example of an Employee having an average monthly salary / wages of rupees **35,000/- (last 12 months)**

And his last 12 months' average PF balance to be rupees **5,00,000/-**

So the EDLI benefit will be calculated as follows

**EDLI benefit** (In this case maximum EDLI benefit will be calculated on rupees 15,000/-)

**35 X 15000 = 5,25,000/- (A)**

Plus **50% of 5,00,000 or 1,75,000** whichever is less = 1,75,000/- (B)

**(A) + (B) = 5,25,000 + 1,75,000 = 7,00,000** (Total EDLI benefit)

### WHO will be ELIGIBLE to receive EDLI benefits?

- The Nominee of the deceased employee.
- In absence of Nominee, The family member of the deceased employee.
- In absence of family, the legal heir of the deceased employee.

### Documents required for claiming EDLI

- Form 5 IF or the composite death claim form.
- Certificate of death while in service attested by the employer.
- Death certificate of the employee.
- Applicant's bank account cancelled cheque.
- In case of claimant being other than family member, the court succession certificate.

Ramesh L. Soni, Management Consultant and Advisor on Labour Laws

#### Executive Profile:

- Qualified as M.B.A. (HR), B.Sc. (Hons.), LL.B., D.L.L. & L.W., D.P.M. & I.R., A.I.I.I, M.P.M. (H.R), DMS
- Providing consulting services in the field of Labour Laws since last 40 years
- Providing services in this field on retainer ship basis to more than 350 clients
- Contributed articles on Labour Laws
- Visiting Faculty at Bharatratna Dr. Ambedkar Institute of Management & Legal Research, Mumbai

#### Acted as faculty for Labour Laws at various Seminars as under:

- Confederation of Indian Industries (CII) (in this seminar various corporates participate)
- Institute of Chartered Accountants of India (ICAI) (Western Region)
- Nasik Branch of WIRC of ICAI;
- Bhilai Branch of CIRC of ICAI
- The Institute of Company Secretaries of India.
- The Bombay Chartered Accountants Society
- The Chamber of Tax Consultants
- Bombay Stock Exchange (BSE) Broker's Forum
- Maharashtra Institute of Labour Studies (MILS- Government of Maharashtra) [Given training to Asst. Labour Commissioners and Govt. Labour Officers, and Shops & Estb Inspectors of Maharashtra State]
- AMAZON
- Larsen & Toubro Limited
- The Tata Power Company Ltd.
- Hindustan Unilever Field Services Pvt. Ltd
- Vodafone Essar Limited
- Bajaj Electricals Ltd
- Anchor Electricals Pvt Ltd (By Panasonic)
- Polycab Wires Pvt. Ltd.

- Gammon India Ltd.
- 3i-Infotech Limited
- Maharashtra State Electricity Distribution Company Ltd
- Maharashtra State Power Generation Company Ltd
- Maharashtra State Electricity Transmission Company Ltd
- Dun & Bradstreet Information Services India Pvt. Ltd
- ABN AMRO Central Enterprise Services Pvt Ltd
- Bharatratna Dr. Ambedkar Institute of Management & Legal Research
- IL&FS Transportation Networks Limited
- Lodha Group of Companies
- Ajmera Group of Companies.
- Kanakia Spaces Pvt Ltd
- JMC Projects (India) Ltd
- Oberoi Realty Limited
- OMKAR REALTORS & DEVELOPERS PVT. LTD.
- National Academy of Indian Payroll (NAIP)
- C. V. O. Chartered & Cost Accountants Association
- Borivali (Central) CPE Study Circle of WIRC of ICAI,
- Ghatkopar CPE Study Circle of WIRC of ICAI
- J B Nagar C.A. Study Circle, Andheri,
- Dahisar CA Study Circle of WIRC of ICAI
- Pune Camp CPE Study Circle, of WIRC of ICAI
- Shri Kutchi Advocate's Welfare Association
- Princeton Academy (in this seminar various corporates participate)
- Satvam Consulting Pvt. Ltd (in this seminar various corporates participate)
- Sharp Facility Management Pvt Ltd (in this seminar various corporates participate)
- STEPS Management Services Pvt. Ltd, UTTARKHAND (in this seminar various corporates participate)
- IEEMA (Indian Electronics & Electrical Manufactures Association)
- Bombay Management Association (BMA)

- Bombay Master Printers Associations
- Raishabh Academy Pvt Ltd
- Shree Vagad Kala Kendra
- Kutch Corporate Forum
- Association of System Integrators & Retailers in Technology (ASIRT)
- Paper Traders Association
- Smart Edge, Goa
- Sampat & Mehta (Chartered Accountants)
- Computer Media Dealers Association, Fort, Mumbai.
- Ahmedabad Branch of WIRC of ICAI.
- VAPI Industries Association.
- VAPI Branch of WIRC of ICAI.
- Carnival Group
- Masjid CPE Study Circle of WIRC of ICAI
- Highway Concessions One Pvt. Ltd.
- Trade Association of Information Technology (TAIT)
- Gowalis Industries Association (Vasai, District- Palghar)
- Foundation for Education of Girls
- The Borivali Diamonds Cutters & Polishers (Owners) Associations.
- Snacks Food Association of Maharashtra
- SMS Limited (Nagpur)
- Pramod Ram Ujagar Tiwari Saket Institute of Management (Kalyan)
- Lions Club of Bombay Mandvi (East)
- Vile Parle CPE Study Circle of WIRC of ICAI
- V. V Giri National Labour Institute (An Autonomous Body of Ministry of Labour & Employment, Government of India.)
- Idemitsu Lube India Private Limited
- Burns & McDonnell (India)
- Chetana's Institute of Management & Research (CMIR) in association with (SIID)
- Mumbai Port Trust in association with (SIID)
- Lions Club of Bombay Mandvi East...and many more



## INDIA'S ECONOMIC REFORM 2.0 – AN OVERVIEW

Professor Piya Mahtaney  
Economist/ Author

Three decades ago liberalization was initiated in 1991 this was a watershed for India, which at the time was in the throes of a balance of payment crisis this in conjunction with the plethora of inefficiencies and deficiencies that it was enmeshed in. Economic liberalization marked the beginning of a process that unshackled India from an era of decadence and ineptitude onto a path of dynamism and competitiveness. However even as it gathered momentum at some point the pace of liberalization slowed and the second generation reforms that were entailed to ensure a take-off to sustained levels of economic progress did not happen. In the current phase as India grapples with the economic implications of the pandemic that has dragged on for over 15 months it is evident that earlier challenges have been accentuated. This does herald the beginning of the next phase which I would describe as Reform2.0 because impending measures in industry, the financial sector and trade would plausibly be initialized.

What is conspicuously absent is the rural economy bolstering which is critical if India is to reduce the vulnerability of a large proportion of its population which has been adversely impacted in terms of livelihood and income. A report by Azeem Premji University (2021) cites that labour's share of GDP declined by over 5 percent from 32.5 per cent in the second quarter of 2019-20 to 27 per cent. Furthermore about 90 per cent of this fall was the result of a decline in earnings and not employment. Thus the task of economic recovery is not merely to provide jobs but to ensure that incomes and livelihoods lost are restored. As the report explains, "The challenge of providing dignified work, decent incomes, and social security, for all was with us before the pandemic, but its urgency and centrality for our national agenda has become inescapable now. If we focus on these fully, India can emerge stronger from these ruins."

Clearly the next phase would plausibly be one of stronger structural transformation which would facilitate a faster pace of employment creation, higher levels of investment and enable a higher degree of economic resilience that is exigently required in the face of internal and external concerns which confront the Indian economy.

In this second article about India's economic recovery, I spoke to **Mr. Arjit Basu who is currently Chairman of the Board of HDB Financial Services Ltd and Senior Advisor to Deloitte and AZB Partners and formerly Managing Director of State Bank of India.**



**WHAT IS CONSPICUOUSLY ABSENT IS THE RURAL ECONOMY BOLSTERING WHICH IS CRITICAL IF INDIA IS TO REDUCE THE VULNERABILITY OF A LARGE PROPORTION OF ITS POPULATION WHICH HAS BEEN ADVERSELY IMPACTED IN TERMS OF LIVELIHOOD AND INCOME.**



**In the following I enumerate the insights shared by Mr Basu, ( Q&A format):**

**Q.1 What would be the existent measures and those which are impending that would bolster private investor confidence?**

**Basu:** We have just completed 30 years since the bold economic liberalisation measures that were undertaken in 1991. The growth trajectory of the Indian economy for almost 25 years since those bold reforms has been upward and has resulted in huge benefits, none more visible than lifting millions of people out of abject poverty and significantly bringing down the poverty rate. In the past few years, this has slowed down, with the growth rate falling to 4.2% in 2019-20 as against 8% to 9% that the country was averaging 5 to 10 years earlier. The unfortunate pandemic that has struck us since March 2020 resulted in a negative growth of more than 23% in 2020-21 and has made the recovery path even more difficult.

In the above backdrop, the measures that would be required needs to address both the issues; the reasons for the slowdown even before Covid hit the economy and the specific issues created by the once in a lifetime pandemic.



**THE PLI SCHEME ANNOUNCED BY THE GOVERNMENT NEEDS TO BE TAILORED TO MEET THE REQUIREMENTS OF THE SECTOR SO THAT THEY CAN BECOME MORE COMPETITIVE AND EFFICIENT. HIGH COSTS ARE A MAJOR ISSUE IN KEEPING MSMSS VIABLE.**



The slowdown prior to the pandemic came about on account of a multitude of factors: slowdown in the global economy, manufacturing not playing its due role in economic growth, over capacity built in the prior period leading to a slowdown in investment, problems that arose in infrastructure lending leading to stress in the banking system consequently inhibiting them from extending credit freely, impact of demonetisation and the initial glitches on the GST rollout. The measures needed to tackle this would include both demand and supply side initiatives. On the supply side, a host of measures to increase productivity and efficiency will go a long way in addressing the problem and the Government has indicated focussing on areas like privatisation (Government to be out of business excepting in strategic sectors where not more than 4 PSUs to remain), income tax cuts, flexible labour markets, boosting public sector investment in infrastructure and improvement in affordable housing. Of these, the ability to execute the Rs 1.11 trillion National Infrastructure Pipeline by 2025 in a timely manner will prove crucial. On the demand side, in spite of a recent rise in inflation and inflationary expectations, the central bank has not raised interest rates. Ability to boost aggregate demand would be extremely important in reviving the economic outlook. Investors would look to invest across the board in Indian companies and not just in top companies forming part of the Nifty, only when they see that economic conditions are conducive to revival.

**Q.2 The need for a focused strategy of SME financing. Do you think present policies in this connection need to besupplemented?**

**Basu:** Micro, small and medium enterprises (MSME) in India, contribute nearly 8% of the country's GDP, around 45% of the manufacturing output, and approximately 40% of the country's exports. The country has more than 60 million such enterprises employing around 110 million people. The sector has faced huge challenges in the past few years starting with demonetisation and the Covid introduced lockdowns devastated many of them. The Government, in tandem with the central bank, announced a slew of measures last year to assist them in turning around, including those that would build an "Atmanirbhar Bharat".

Issues relating to improvement in productivity and efficiency, linking the enterprises to global supply chains and their ability to get affordable finance remain the most significant challenges for the sector. Any downturn in the economy impacts them severely and quickly. The recent measure announced by the Government defining them by turnover rather than quantum of investment made, should improve their ability to scale up more easily. In the area of finance, progress in digital technology is necessary to be speeded up so that they can access finance from multiple sources. Developments in blockchain, AI, machine learning and software services that can be provided on the cloud can make a big difference to their fortunes. Platforms linking them to buyers, like the GeM or Government E Marketplace need to be formed and scaled up quickly. Fintechs riding on certain aspects of the "India Stack" have started their neo banks that can evaluate and provide credit seamlessly. Collaboration with the traditional banks in a co-lending model can help MSMEs immensely.

The PLI scheme announced by the Government needs to be tailored to meet the requirements of the sector so that they can become more competitive and efficient. High costs are a major issue in keeping MSMSs viable.

**Q.3 Do you think NPA's continue to deter infrastructure financing? If so, is enough being done to tackle the inadequacies in this direction/ If not what measures would have a decisive impact and are these being implemented**

**Basu:** Investment in infrastructure in India has been focussed upon since liberalisation but picked up significantly, ironically in the period from 2008, after the advent of the global financial crisis. Easy monetary policy allowed cheap borrowing and the high economic growth

rate prevailing at that time tempted corporates to invest heavily and bet on sustained economic growth. The process unravelled soon thereafter on account of a multitude of reasons, including less than adequate credit underwriting methods employed by banks for Project Financing, although this was certainly not the only reason. The stress in the banking sector that followed has forced a period of pain for corporates and banks alike.



**2022 TO 2024 SHOULD BE SIGNIFICANTLY HIGHER SINCE IT WILL REFLECT RECOVERY FROM A VERY LOW BASE, PERHAPS 9 PER CENT PLUS. UNCERTAINTY AROUND THE LENGTH OF TIME THAT COVID WILL HAVE AN IMPACT MAKES ANY PREDICTION A SHOT IN THE DARK.**



The positive outcome of the measures is that a large part of the mess has been cleaned up, supported in no small measure by initiatives like the IBC. Banks have raised capital and also closely looked at their project finance underwriting policies so as to correct the mistakes of the past. Lending to viable projects has also recently started picking up but the key word is “viable”. Banks have revised their project finance policies so that they lend only to projects that are likely to be viable. Therefore, NPAs are no longer constraining banks from lending to the sector but banks cannot be the only agencies that can and should lend for infrastructure, given the issues around asset liability mismatches that banks face in longer tenor loans. The Government initiative of once again setting up a DFI is a step in the right direction. An Inter- Ministerial Steering Committee to drive the National Infrastructure Pipeline (NIP) of Rs 1.11 lakh crores headed by the Secretary, Economic Affairs has made various recommendations touching the areas of Capital Markets, Asset Recycling and Project Finance. Sub groups were formed and submitted their recommendations in 2020. The Project Finance sub group of which I was the Chairman made suggestions on the fund-raising strategy, institutional efficiency and credit offtake. Policy prescriptions and new financing techniques were suggested and these are being acted upon.

**Q.4 Any approximate estimates/forecasts about global economic growth in 2022-2024**

**Basu:** Forecasting is not my forte and I believe any such attempt in economics is a tricky job. However, I concur with economists who have estimated that India needs to have a real GDP growth rate on average higher than 7%, year on year, for the next many years. This will enable us to break into the ranks of a higher middle-income economy, in order that we are able to provide a decent quality of life to all Indians, including the poorest.

2022 to 2024 should be significantly higher since it will reflect recovery from a very low base, perhaps 9 per cent plus. Uncertainty around the length of time that Covid will have an impact makes any prediction a shot in the dark.

**Conclusion**

I write this article as India is headed towards its 75th year independence and this happens to be a time when the country’s Olympic team has returned after exhibiting a performance that has been the best witnessed over the preceding 40 years. That said, India is passing through a difficult time, so one hand there is aspiration and potential and on the other challenges. Surmounting the latter sooner rather than later would hopefully mark the beginning of the next narrative of India’s development.

**Piya Mahtaney** completed her second Master’s in Development Economics from Leicester University in England I embarked on a career in journalism with the Times of India. I was assistant editor in Metropolis on Saturday, subsequent to which I joined as senior feature writer In Economic Times. As an economist that reported, analyzed and wrote on a wide range of socio-economic issues, writing a book about economic development and the emerging trends of globalisation seemed almost inevitable.

The books that I have authored are as follows:

- Structural Transformation: Understanding the New Drivers of Investment, Innovation and Institutions, Palgrave Macmillan, Singapore, April 2021
- Globalization and Sustainable Economic Development, Palgrave Macmillan (U.S), August 1st 2013
- India China and Globalisation\* was published by Palgrave Macmillan (England, 2007)
- Globalisation Con Game or Reality was published by Alchemy Publishers, India (2004) 2004.
- The first book titled Economic Con Game, Development fact or Fiction was published by Pelanduk Publications (Malaysia) in 2002.
- India China and Globalization, (paperback, Palgrave Macmillan, England December 2014)

Besides authorship I am a visiting lecturer with St Xavier’s Institute of Communications and St Xavier’s College, Department of Economics. I am also a council member of the Forum of Free Enterprise 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.



## BLOCKCHAIN-TECHNOLOGY WITH GREAT POTENTIAL

Dr. Arti Chandani  
Associate Professor



Akhilesh Kotla  
Student  
MBA Batch (2021-23)

Symbiosis Institute of Management Studies, Symbiosis International (Deemed University)

**A**re you looking forward to reskilling yourself with more relevant technology with huge potential?

Are you willing to work in a technology whose market size is to be estimated to grow up to \$3 Trillion in the year 2030?

Are you willing to learn a Technology which a huge no of big Corporates has adopted and others are at various stages of adopting looking at potential to be used in multiple applications?

### Blockchain

Blockchain is a data structure which holds transactional records ensuring secure storage and transmission of data. It is a kind of Digital Ledger of transactions that is duplicated and distributed across all the computers over the network. It is a specific type of Database where the data is stored in the form of blocks chained together. Blockchain has small elements with a fixed capacity to store data and when this capacity is exhausted data is pushed into the new block and the new block is chained with the existing block which leads to storage of data in a chronological order. Each block is time stamped when it is added. As each block contains some data related to the previous block with some reinforcement the new data cannot be modified without changes to previous data which is not allowed therefore, we can say that data once recorded in a block chain cannot be modified making it secure from unwanted and deliberate manipulations. Each data is duplicated and stored in each computer (node) over the entire network. All these nodes are not under control of any single user and these nodes are operated by multiple users so we can say that Block chain also helps in decentralization. We can say that block-chain is a decentralized digital ledger which contains records or transactions which are stored irreversibly with a timestamp thus ensuring secure storage of data without loss of transparency.

**Block Chain as a Technology can be applied in wide range of industries. Let us look at some of the applications in various Industries-**

### 1. Financial Industry-

- a) Utilizing Blockchain concepts we can eliminate the possibility of forgery of Documents by recording these documents in blockchains.



**BLOCKCHAIN IS A DATA STRUCTURE WHICH HOLDS TRANSACTIONAL RECORDS ENSURING SECURE STORAGE AND TRANSMISSION OF DATA. IT IS A KIND OF DIGITAL LEDGER OF TRANSACTIONS THAT IS DUPLICATED AND DISTRIBUTED ACROSS ALL THE COMPUTERS OVER THE NETWORK.**



- b) Blockchains provide a secure system with timestamped details of various transactions making it an extremely useful for payments and money transfer.
- c) Blockchain solutions can be used for faster clearing and settlement and trail of transactions can be easily audited making it extremely suitable for improving processes in Capital markets.
- d) Historically Trade financing has been a very slow process leading to liquidity challenges which can be avoided using Blockchain backed operations which are much quicker.
- e) Secure nature of blockchain helps it useful for accounting and auditing purposes reducing possibility of human error.

- f) The encryption process of transactions can be used to reduce Fraudulent practices like Money laundering.
- g) In Insurance sector all claims and contracts can be recorded using blockchain technology which will be validated by system and it will automatically reject invalid claims as multiple claims on same accident can be easily detected.



**THE BLOCK CHAIN INDUSTRY IS EXPECTED TO HAVE MARKET SIZE OF AROUND \$3 TRILLION. WITH SUCH A LARGE MARKET SIZE THE INDUSTRY WILL PROVIDE EXTREMELY GREAT NUMBER OF EMPLOYMENT OPPORTUNITIES. THERE IS A GREAT DEMAND FOR PROFESSIONALS WITH KNOWLEDGE OF BLOCKCHAIN.**



## 2. Healthcare Industry-

Basic personal data like age, gender and basic medical history can be recorded in blockchain databases and this information cannot be used to identify persons resting the concerns around data privacy.

## 3. Supply Chain Management-

The non-mutable nature of block chain can be used for real time tracking of goods as they are transferred from one player to another in a supply chain.

## 4. Real Estate-

It can be used to increase transparency in buying and selling processes as well as it can be used to reduce frauds due to encryption of transactions.

## 5. Media-

It can be used by media Industries to protect their intellectual property rights over music etc.

## 6. Energy-

It can be used to carry out energy supply transactions which can be basis for metering reducing human error.

There are such uncountable potential applications for block chain technologies in various Industries thus

making it one of the technologies with largest potential market size. The Block chain Industry is expected to have market size of around \$3 Trillion. With such a large market size the industry will provide extremely great number of employment opportunities. There is a great demand for professionals with knowledge of Blockchain. The starting salary for professional with knowledge of Blockchain technology can be as high as \$100000.

## Major Corporates Employing Block chain at Present or evaluating technology for Future use-

1. **IBM** - IBM is helping organization on how to implement blockchain in their processes.
2. **Kodak** - It uses its blockchain platform KODAKONE to digitally ledger and protect copyrights of images and videos.
3. **Microsoft** - Its Azure platform is helping to establish block chain in companies across various sectors.
4. **Oracle** - It is helping companies in adopting cloud-based block chain solutions.
5. **Intel** - It is using blockchain based platform sawtooth for creation of efficient and trustworthy environment.
6. **Walmart** - It is looking at how it can integrate block-chain in its food supply chain for Realtime tracking.
7. **Pfizer** - Pfizer is looking at blockchain to ensure safety and security of its medicines.

### References

1. <https://builtin.com/blockchain/publicly-traded-blockchain-companies>
2. <https://www.pwc.com/gx/en/industries/technology/blockchain/blockchain-in-business.html>
3. <https://www.businessinsider.in/finance/news/the-growing-list-of-applications-and-use-cases-of-blockchain-technology-in-business-and-life/articleshow/74447275.cms>
4. <https://merehead.com/blog/top-9-blockchain-business-opportunities/>

**Dr. Arti Chandani**, MBA (Finance) has been teaching since last 23 years in various B-school in India as well as in Brunei Darussalam. Her area of research is corporate finance, banking and corporate governance and IT. She has attended more than 50 conferences. She has written more than 45 papers in peer reviewed journals. She was awarded for Best Teacher in Financial Management by Dainik Bhaskar National Education Leadership awards. She has been organizing SIMSARC (Symbiosis Institute of Management Studies-SIMS Annual International Research Conference) since 2013. She has also received multiple best paper awards in conference. She is also a PhD supervisor in Symbiosis International (Deemed University), Pune, India.

**Akhilesh Kotla**, currently pursuing MBA-Finance (2021-2023). He is junior member of organizing committee SIMSARC (Symbiosis Institute of Management Studies-SIMS Annual Research Conference). Before that he has working in Schneider Electric IT Business India Private Ltd for 3 years working as Application Engineer designing IT Critical Power solution for Data-centers and Industries. He Graduated with a B Tech in Electrical and Electronics Engineering from SRM Institute of Science and Technology, Chennai in year 2018.



# WHAT HAPPENS WHEN CHEQUE IS DISHONoured?

Neha Ahuja, LLM Advocate

**C**heques are used in almost all transactions such as re-payment of loan, payment of salary, bills, fees, etc. A cheque is a negotiable instrument. Crossed and account payee cheques are not negotiable by any person other than the payee.



**FIRSTLY, THE HOLDER OF THE CHEQUE HAS TO SEND A DEMAND NOTICE TO THE DRAWER OF THE CHEQUE WITHIN 30 DAYS, AFTER RECEIVING SUCH INFORMATION FROM BANK, ASKING THE DRAWER TO MAKE THE PAYMENT OF THE CHEQUE AMOUNT WITHIN 15 DAYS FROM THE RECEIPT DEMAND NOTICE. IF THE DRAWER FAILS TO MAKE THE PAYMENT WITHIN 15 DAYS FROM THE RECEIPT OF THE NOTICE WITH RESPECT TO DISHONOR OF THE CHEQUE, THE BENEFICIARY OF THE CHEQUE CAN FILE A COMPLAINT BEFORE THE LEARNED MAGISTRATE HAVING JURISDICTION TO ENTERTAIN SUCH COMPLAINT.**



The author of the cheque is called 'drawer', the person in whose favour, the cheque is drawn is called 'payee', and the bank who is directed to pay the amount is known as 'drawee'.

Dishonored cheque is cheque that the bank on which is drawn declines to pay ("honour"). The holder of the

cheque can file a complaint under Section 138 of Negotiable Instrument Act, 1881 against the drawer of the cheque and can also file a civil case for recovery.

Firstly, the holder of the cheque has to send a demand notice to the drawer of the cheque within 30 days, after receiving such information from bank, asking the drawer to make the payment of the cheque amount within 15 days from the receipt demand notice. If the drawer fails to make the payment within 15 days from the receipt of the notice with respect to dishonor of the cheque, the beneficiary of the cheque can file a complaint before the Learned Magistrate having jurisdiction to entertain such complaint.

The drawer/signatory of the cheque can be punished with imprisonment for a term which may extend to two years, or with fine which may extend to twice the amount of the cheque, or with both. Criminal and civil case for dishonoring of a cheque can be filed simultaneously.

**Neha Ahuja, Advocate**

- Working as an Advocate in the field of Tax, Intellectual Property, Capital Markets & Securities, Anti-Corruption, Investigation, Manufacturing, Consumer Products, Industrial Products & Durables, Communications (Telecom & Broadcasting), Energy (Power, Coal, Oil & Gas), Mining, Civil and Criminal litigation. Specialized in Criminal Litigation.
- Consulting various law firms in India.
- Regular faculty at Jai Hind College of Commerce and Science for the subject of Law. Lectures given on the following Acts and Bills: Contract Law, 1872, Companies Act, 2013, Reserve Bank of India Act, 1934, Banking Regulation Act 1949, Negotiable Instruments Act 1881, Indian Insurance Act 1938, IRDA Act 1999, Consumer Protection Act, 1986, Ombudsmen Act 1975, Indian Stamp Act 1899, Indian Registration Act 1908, Lokpal and Lokayukta Bill.
- Worked as a Constitutional expert on several books published by Lexis Nexis namely "India Needs GST" 3rd Edition. Also, written textbooks at college level on the subject of IPR & Cyber Law published by Vipul Prakashan.
- Editor for Law Textbooks on the subject of Contract Law, 1872 and Negotiable Instrument Act 1881 published by Reliable Publication.
- On the panel as a Legal Committee member to social clubs such as the Cricket Club of India.
- Completed her Bachelors in Banking and Insurance (BBI). There after obtained a Masters degree in Commerce (Mcom) and then completed Legum Baccalaureus (LLB) and LLM.



## COMPLIANCE REQUIREMENT FOR THE MONTH OF SEPTEMBER – 2021

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

Authorities	Particulars	Due Date
All Exchanges	Contingency Drill / Mock Trading Session (Subject to circular to be issued by respective exchanges)	04.09.2021
PMS	PMS- Certification for Activity Report- through SEBI portal for the month of August, 2021	Within 7 working days of next month
Income Tax	TDS Payment for the Month of August 2021 for Corporate and Individual	07.09.2021
Depository	Investor Grievances (Report) • CDSL & • NSDL	10.09.2021
All entities	Validity of NISM certificate - extension	30.09.2021
PMS	Annual Netwoth Certificate	30.09.2021
PMS	Submission of audit Certificate (Report) by Qualified Chartered Accountant to SEBI for the F.Y. 2020-21	30.09.2021
NSE/ BSE/ MSE	Submission of System Audit Report for the period ended 31st March 2021 and for those who have availed ALGO facility for the half year ended 31st March 2021(ALGO and Non ALGO)	30.09.2021
MCX/ NCDEX	Submission of half yearly ALGO & Non ALGO system audit report as at 31/03/2021	30.09.2021
NSDL/ CDSL	Submission of System Audit(Cyber audit) on Annual Basis	30.09.2021
NSE/ BSE/ MCX/ NCDEX	Submission of Cyber Security Audit Report	30.09.2021
NSE/ BSE/ MSEI	Submission of half yearly Internal audit report for the period ended 31st March 2021	30.09.2021
MCX/ NCDEX	Submission of half yearly Internal audit report for the period ended 31st March 2021	30.09.2021
BSE/ NSE/ MSE/ MCX/ NCDEX	Submission of Risk Based Supervision for the period ended March, 2021	30.09.2021
All stock exchanges	Maintaining call recordings of orders / instructions received from clients exempted till	30.09.2021
BSE	No. of STR filed with FIU-IND for the month of August, 2021. (Including NIL STR)	Before 30.09.2021
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
NSE/ BSE/ MCX/ NCDEX	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
NSE/ BSE/ MCX/ NCDEX	Reporting of client level Cash and Cash Equivalent Balances and Bank account balances (within next four trading days of subsequent week)	Weekly basis
NSE/ BSE/ MCX	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**

## SUPREME COURT JUDGEMENT IN THE MATTER OF PRAKASH GUPTA V. SEBI

On July 22, the Supreme Court of India (SC) in the matter of Prakash Gupta v. SEBI while interpreting Section 24A of the Securities and Exchange Board of India Act, 1992 (**SEBI Act**), held that the power to compound offences under Section 24A of the SEBI Act rests exclusively with the Securities Appellate Tribunal (**SAT**) or a court before which such proceedings are pending and SEBI's consent for compounding offences is not mandatory. However, the SC opined that SAT or the concerned courts must seek and consider the view of SEBI on matters related to the compounding of offences.

Compounding of an offence under Section 24A allows a guilty person to avoid a lengthy process of criminal prosecution by paying compounding charges and complying with other directions that may be passed by the concerned court. It is akin to settlement proceedings under the SEBI (Settlement Proceedings) Regulations, 2018 (**Settlement Regulations**), wherein, administrative or civil proceedings are settled. Section 24A provides that any offence punishable under the SEBI Act, not being an offence punishable with imprisonment only or with imprisonment and fine, may either before or after the institution of any proceedings, be compounded by the SAT or court before which such proceedings are pending.

With respect to the present matter, in 2000, SEBI had inter alia initiated criminal prosecution against a director and promoter of Ideal Hotels & Industries Ltd., Mr Prakash Gupta (**Mr Gupta**), for alleged violation of the provisions of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 and the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1994. Thereafter, in 2013, MrGupta filed an application under Section 24A with the concerned criminal court, seeking the compounding of the offences in the criminal complaint filed by SEBI against him. After examining the matter, SEBI recommended to the criminal court that the offences committed by Mr Gupta should not be compounded given the gravity of the violations. Thereafter, the criminal court dismissed the compounding application of Mr

Gupta on the grounds that an offence cannot be compounded without the consent of SEBI. Subsequently, the decision of the trial court was upheld by the High Court of Delhi. Being aggrieved by the same, Mr Gupta filed an appeal before the SC.

The basic question that arose before the SC was whether the consent of SEBI was necessary for the compounding of offences under Section 24A of the SEBI Act. In the judgement, the SC firstly, held that the power to compound offences under Section 24A, exclusively rests with the SAT or the courts and obtaining the consent of SEBI for compounding offences is not mandatory. Secondly, SAT or the courts shall mandatorily take into consideration the recommendations/ views of SEBI while determining an application for compounding of offences, unless SEBI's views are manifestly arbitrary and mala fide. Being the regulator of the capital markets, SEBI can provide an expert view on the nature and gravity of an offence and its impact on the protection of investors and the stability of the securities market. Further, the SC opined that if a court diverges from SEBI's recommendations/ views, it must have cogent reasons for the same. Thirdly, to streamline the compounding process, the SC laid down a set of broad guidelines for compounding under Section 24A for the SAT and concerned courts.

Further, in the judgement, the SC inter alia opined that courts while determining whether to compound an offence should consider the impact of the offence on the public at large and whether the non-prosecution of the same can have larger negative ramifications for society. Further, the SC emphasized that courts should always attempt to further the statutory role of SEBI, a financial sector regulator with wide regulatory powers and market expertise. In its guidelines for compounding offences, the SC has broadly provided that:

- A person who wishes to compound an offence must file an application for the same with the criminal court where a complaint has been filed against him by SEBI.

- The person must send a copy of the application to the Prosecution Division, Enforcement Department of SEBI.
- SEBI should review the matter and provide its recommendations (terms of compounding or its objections to the compounding of the offences) to the court for its consideration.
- The court must consider the recommendations/ views of SEBI. Further, the Court must take into account the indicative factors listed out in SEBI's circular dated April 20, 2007, and accompanying FAQ on "Consent Orders & Compounding of Offences" dated April 20, 2007. Such factors inter alia include the gravity of the alleged violations, track record of the violator, harm caused to investors, etc. It is to be noted that the aforementioned SEBI circular was rescinded post the coming into force of the SEBI (Settlement of Administrative and Civil Proceedings) Regulations, 2014.
- In the event the court differs from the recommendations/views of SEBI, the Court should have cogent reasons for the same.
- While determining whether to allow the compounding of an offence, the court should assess whether the offence is private or public in nature and whether non-prosecution of the violator can affect the public at large. Further, the latter should not be compounded even if restitution has taken place.

In the present matter, the SC dismissed the appeal and upheld the decision of the lower courts as the SC considered the offences committed by Mr Gupta to be grave in nature which adversely impacted investor protection and the stability of the securities market.

The SC through its judgement has clarified that though SEBI's consent is not mandatory, the regulator's recommendation/ view must be solicited and considered by SAT and concerned courts while determining whether to compound an offence under Section 24A. Further, the SC's guidelines will help courts to better deal with matters related to the compounding of offences.

## SEBI ENHANCES DISCLOSURE REQUIREMENTS FOR REITS AND INVITS

In the interest of investor protection, on July 22, SEBI issued 2 circulars to amend the extant guidelines for grievance redressal mechanism for Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts

(InvITs). For REITs, SEBI modified para 5.3 of Annexure B of the circular dated December 29, 2016, and for InvITs, SEBI modified para 5.3 of Annexure B of the circular dated November 29, 2016. Henceforth, REITs and

InvITs must disclose in uniform and easy to understand prescribed formats, all complaints received by them including SCORES complaints on their websites and with the recognised stock exchanges, where

their units are listed, within 21 days from the end of the financial year or end of the quarter, as the case may be. Post the amendments, apart from disclosing information related to the number of pending and disposed complaints, REITs and InvITs must also provide the average time taken for redressal

of complaints on a quarterly or financial year basis, as the case may be. The requirement for enhanced disclosure of statistical data related to investor complaints will improve transparency in the grievance redressal mechanism and encourage REITs and InvITs to expeditiously redress investor complaints.

Further, ensuring that all REITs and InvITs use a uniform format for disclosing information related to investor complaints, directly on their websites, will give investors easy access to critical information and help them make informed investments decisions.

## SEBI'S CONSULTATION PAPER FOR INTRODUCTION OF SWING PRICING IN INDIAN MARKET

On June 19, SEBI issued a consultation paper recommending the introduction of a 'Swing Pricing Mechanism' (Consultation Paper) in order to ensure fairness of treatment for entering, exiting and existing investors in mutual fund schemes, particularly during the periods of market dislocation.

Swing pricing is a market dilution technique that is used to pass on the transaction cost pertaining to the net capital activity (inflow and outflow from the fund) to the investors associated with such activity. In this methodology, the net asset value (NAV) for the incoming or the outgoing investor is adjusted with the costs associated with the inflow/ outflow of funds in the scheme such that units allocated to the income investor, or the funds allocated to the outgoing investor are based on this revised NAV. The NAV is adjusted based on the swing threshold, and the swing factor. The swing threshold is the minimum percentage change required in the assets under management (AUM) of the scheme for the swing pricing to kick in, while the swing factor is the percentage change in the NAV based on near-term costs (spread costs, transaction fees, charges from purchasing/selling assets) as a result of net purchases or net redemptions. Thus, if a scheme has a swing threshold of 5 percent, and a swing factor of 1 percent, each time the AUM of the scheme sees an upward or downward movement of 5 percent or more, the NAV for the incoming or outgoing investors would be increased/ decreased by 1 percent.

There are two types of swing pricing mechanisms: (i) partial swing pricing; and (ii) full swing pricing. In the partial swing pricing method, the NAV is adjusted for the swing factor, only when the change in the AUM crosses the swing threshold. On the other hand, in the full swing pricing mechanism, there is no swing threshold such that the NAV

is adjusted with the swing factor for the incoming/ outgoing investor. In its Consultation Paper, SEBI has highlighted the methods in which certain jurisdictions such as the United States of America, Hong Kong, France, Luxembourg, and the United Kingdom, have implemented the swing pricing mechanism in their markets, and has observed a varying degree of governance exerted in terms of the schemes for which such methodology can be adopted, the method of swing pricing that may be implemented and the factors that shall be considered which formulating the swing factor.

In the Consultation Paper, SEBI has proposed a hybrid model of swing pricing for the Indian markets whereby it has suggested using the partial swing methodology during normal times and mandatory swing pricing during market dislocation. While the adoption of the partial swing methodology will be optional, if the asset management company (AMC) is to implement swing pricing for any of its schemes, the AMC will be required to publish a pre-determined minimum swing threshold, and a maximum swing factor in the scheme information document along with other details of policies and procedure of the methodology. However, during an event of market dislocation, swing pricing will be mandatory for all open ended debt schemes which have a high-very high score on the risk-o-meter, and satisfy the requirements of a potential risk class, as stipulated by SEBI in the Consultation Paper.

During an event of market dislocation, swing pricing will be implemented in a phased manner whereby, in the first phase, it will be mandated only during the times of outflow market dislocation across mutual funds. Further, the minimum swing factor shall be stipulated by SEBI such that the minimum threshold will be applicable to all open ended

debt schemes while the AMC would have the discretion to implement a higher swing factor based on pre-defined parameters viz. redemption pressure, current portfolio of the scheme as detailed in the scheme information document. Furthermore, SEBI will determine market dislocation either on the basis of recommendations made by the Association of Mutual Funds in India (AMFI), or on the basis of market indicators for the bond markets, as well as the Indian and Global markets.

SEBI has proposed to exempt redemptions upto INR 2 lakh for all individuals, and upto INR 5 lakh for senior citizens at the mutual fund level, to insulate the retail investors and senior citizens from the effects of swing pricing.

The success of this method will mainly dependant on its execution. This is due to the fact that in order to be perfectly executed, the cost of transactions from redemption of funds is needed to be truly reflected upon. However, in a market which lacks transparency, liquidity costs are only a matter of calculated guess. Therefore, asset managers will find it hard to determine the accurate measures for swing pricing. If not done accurately, it would either be ineffective (as there will remain material residual cost that will still be borne by remaining investors) or it would present unnecessary losses for redeeming Investors. Furthermore, a mandatory disclosure of the swing threshold might help large investors to execute trades marginally below the threshold in order to avoid the costs associated with swing pricing, thus defeating the purpose of introducing the scheme. However, if implemented effectively, the proposed mechanism may successfully pass on the transaction costs to the trading investor such that the scheme is protected from a performance depreciation due to an outflow of fund during events of market dislocation.

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## FROM SIGHT TO INSIGHT

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

**T**he plan of Nature is a slow, yet steady unfoldment of consciousness or awareness. As awareness increases avenues open up that offer greater happiness, fulfilment and joy.

A stone is alive with atoms but immune to feeling. It makes no difference to the stone whether you kick it, pulverise it or worship it. A stone in the pristine Himalayas has no ability to take in the beauty of its environment. One in a coalmine does not rue its misfortune.

A plant is more evolved. It is aware of soil conditions and moisture. It sends its roots to sources of water and nutrients. Its shoots reach out to sunshine and it blossoms in spring. It is believed to respond to music too. But it does not feel the love or tenderness of a parent.

Animals are far more developed. They are aware of seasons. Migratory birds fly thousands of miles to beat the winter. Animals sense danger and elude predators. They are capable of deep caring and form loving relationships.



**THE HUMAN BEING IS THE ULTIMATE IN MINDFULNESS. YOU ARE AWARE OF THE SEEN AND OBVIOUS. YOU CAN CONNECT CAUSE WITH EFFECT AND DECIPHER LAWS OF NATURE. YOU ALSO HAVE THE POWER TO ALIGN WITH THE UNSEEN AND SUBTLE HAND OF DIVINITY.**



The human being is the ultimate in mindfulness. You are aware of the seen and obvious. You can connect cause with effect and decipher laws of nature. You also have the power to align with the unseen and subtle hand of Divinity. You can choose to remain at lower levels of awareness and just exist - eating, drinking, sleeping, and content to be apawn of the elements.

Or you can soar to higher levels of consciousness, to a world that offers certain victory over the material world. Where you find perfect equilibrium in every set of circumstances. You can enjoy the highs of classical music and maintain the same poise when someone passes a nasty remark.

Vedanta is for the latter. It requires commitment to your own inner transformation. Victor Hugo said, "The future has several names. For the weak, it is impossible; for the fainthearted, it is unknown; but for the valiant, it is ideal."

As you go up you transcend earlier limitations. You become independent. What are we aware of? Sense gratification is what the world craves for. But it is the lowest and is limited by the here and now. And you can be happy only when you are catered to.

The realm of emotion is far more powerful and satisfying. It pervades and controls the body. You willingly give up physical pleasures for emotional joys. A mother may be starving but is happy when the child eats. You can tap into past and future joys, reliving the thrill of your first date or visualising the ecstasy of parenthood. However, emotional joys are restricted to known avenues. The intellect pervades and controls both the body and mind. It smashes through the boundaries of the known and goes to unknown realms. Science and technology are constantly breaking barriers and reaching out to new heights. The subtle intellect or conscience goes beyond the universe to the Transcendental. It conceives of the Beyond. It tells you right from wrong, higher from lower. It is your inner compass. This magnificent ability to be aware of a Reality beyond the universe is a privilege only the human being enjoys.

Atman, the Spirit, is all-pervasive. It is the Governor of all laws. You must stretch to accommodate that powerful, divine, yet invisible Force within you. Atman lends beauty, grandeur and magnificence to the world. Have you ever marvelled at your own body and its complex systems? Have you stood in awe of the rising sun or the full moon? Have you wondered who or what created this stunning world?

At best we give names to this divine Power. We call it God. But a statue is not the saint. And the menu is not the meal. Go beyond the menu and enjoy the meal!

Weekly Live Webinars on BHAGAVAD GITA by Jaya Row every Saturday 6.30 to 7.30 pm on Zoom, YouTube & Facebook. Register for free: [vedantavision.org/gita](http://vedantavision.org/gita).

**Jaya Row**, Articulate, effective and engaging, Mrs. Jaya Row brings alive the wisdom of the Vedas in a modern context. Combining her experience in corporate life with 40 years of study and research of Vedanta she provides useful insights to life.

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

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

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

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

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



# PERSONAL MANAGEMENT IN THE ERA OF DIGITAL TRANSFORMATION

Dr. Swarnali Dasgupta  
Image Consultant & Soft Skills Trainer

2020 has had a profound impact on all of us. A deadly virus created havoc in our world by snatching lives mercilessly. Through this time, we have lost and we have learnt. We learnt that life is fragile, and we learnt the value of health, relationships and work the hard way. We have also learnt how to adapt to this new normal, isolating ourselves in our homes while slowly and organically entering into an amazing era of digital transformation. College lectures are held on Google Meet, meetings with coworkers take place on Zoom calls, and happy hour with friends in different cities allow us to stay connected and toast with loved ones.



**TODAY, DIGITALIZATION HAS BECOME A NORM IN OUR LIVES. HISTORY HAS WITNESSED THAT PEOPLE WHO HAVE EMBRACED CHANGE WERE THE ONES WHO HAVE SURVIVED, AND AS AN IMAGE CONSULTANT AND SOFT SKILLS TRAINER, I OBSERVED THAT TODAY 'PERSONAL DEVELOPMENT' HAS BECOME EVEN BIGGER AND MORE IMPORTANT TO OPTIMIZE OUR LIVES.**



**We miss being in the workplace, isn't it?**



Today, digitalization has become a norm in our lives. History has witnessed that people who have embraced change were the ones who have survived, and as an Image consultant and Soft Skills Trainer, I observed that today 'Personal Development' has become even bigger and more important to optimize our lives. So how can we make the most of these unprecedented times, and implement different changes in our working styles, techniques, space and routines to emerge even stronger?

Here are my few tips to further ace your personal development in the era of digital transformation:

### 1. Routine and Discipline:

As we are stuck mostly at home and have transformed a room or a corner of the house into our office, we have to be extra disciplined to make it work. Balancing our personal lives with our professional lives is a task, and too much of focus on one aspect of our lives can lead to underdevelopment and burnout. It is important to follow a daily schedule, with a distinct demarcation between our work selves and home selves, to thrive during these times. Schedule breaks between your Zoom meetings to stretch and take a breather. Go on a walk before or after the work day as a transition to your other self. Following a routine will safeguard against your professional responsibilities bleeding into your personal life.

### 2. Effective Visual Communication:

Do you know we send silent messages through our clothes? Authoritative versus approachable, formal versus casual, serious versus fun, relaxed versus uptight are just some of the constant messages we may be sending unknowingly.

It's very easy to get swayed while working from home when it comes to our clothes. Our home clothes and pajamas are comfortable to wear while working from home, however, it is important to look formal, sharp and polished when we are in our professional set up, be it at our virtual home office or at our real office. People perceive us the way we portray our image. It is very important to understand that a small and apparently irrelevant perception creates a huge impression on people's minds. Given today's cut throat competition, we must not keep any stones unturned and not create any obstacles in realizing our dreams, may that be through wearing the appropriate clothing or accessories, or whether it be through our grooming. Although the camera captures our upper body while working from home, I would

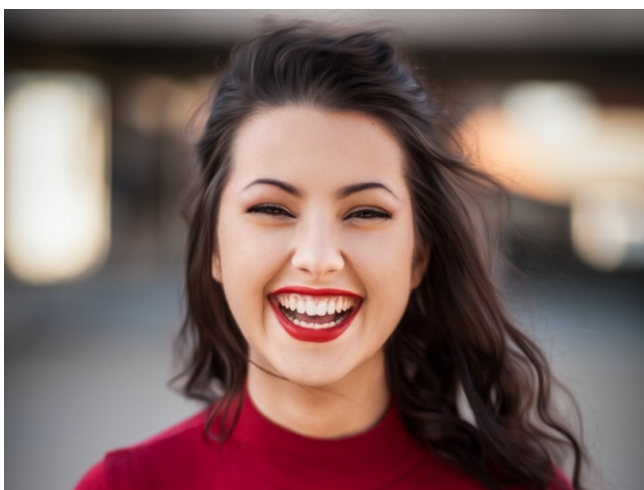
still strongly suggest to appear in a formal look or at least in a business casual look. This can be created being well groomed in a business shirt, polo t-shirt, chinos or cotton trousers. A formal suit or tie may not be necessary but a blazer/jacket can be added when needed to increase the formality of the look. Lastly, a well matched pocket square adds a dash of style to the whole look!

Additionally, colour is a design element which has a psychological effect on our mind. A formal look can be created with neutral colours like white, grey, navy blue, olive green, plum, beige, light brown, and ivory.



### Grooming and Make Up:

Having a well-groomed, polished look is not just superficial gloss. It is much more deep-rooted. It's taking care of ourselves, a projection of self-love and also a way of welcoming others to become associated with us. A Harvard Business School study shows us that women with moderate make up have been perceived as more trustworthy and competent.



### 3. Being Mindful About Our Communication:

**Communication is of two types:**

**Verbal and Non-verbal.**

Research has shown us our verbal communication is backed by the way we communicate through our non-verbal cues: our eye contact, smile, facial expressions, hand movements,

gestures and posture. Most of the time we are unaware of them, but a little practice in correcting our non-verbal communication can go a long way, especially on video calls or conferences in which there is a greater spotlight on our body language. Maintain clear eye contact, diversifying who on the screen you are focusing on, and have a soft smile. Our words may not be true sometimes but our nonverbal cues give away the truth. Additionally, hand-in-hand with our non-verbal behaviour, we must be aware of the tone of our voice, clarity, volume, pause and speed of our speech. Crisp, clear communication using short burst of sentences interwoven with slower, longer ones are key to good communication through our virtual office. Continuous long sentences and speaking in a monotonous voice need to be avoided at all times to make the interaction interesting and fruitful.

### 4. Etiquette Means Being Respectful:

Business etiquette and good manners open many iron doors for us. They are not just a bunch of rules and norms that are good to know to use at the office and parties. Practicing good etiquette truly means being respectful to people and situations.

These short tips on personal branding in an era of digitalization can transform your interactions with your colleagues, friends and family. This pandemic has severely minimized human contact, so each of us needs to learn how to present the best and most authentic versions of ourselves online.

Kindly ask yourself a question: in today's interconnected world, what changes have you made to yourself to alter the way people perceive you?

You can connect with me on Instagram ([swarnali.dasgupta](https://www.instagram.com/swarnali.dasgupta)) or on LinkedIn ([linkedin.com/in/dr-swarnali-dasgupta-ph-d-a46164ba/](https://www.linkedin.com/in/dr-swarnali-dasgupta-ph-d-a46164ba/)).

**Dr. Swarnali Dasgupta** is an experienced Image & Potential Management Consultant. She obtained her Soft Skills and Image Management Certification from the reputed Image Consulting Business Institute of Mumbai. Dr. Dasgupta holds a Master's and a Ph. D degrees in Human Physiology and has extensive Post Doctoral work experiences. An alumni of Calcutta University and Jadavpur University of Calcutta, she was a CSIR Research Associate at the Indian Institute of Chemical Biology, a prestigious biomedical research center of the country.

She conducts group workshops and offers individual training in areas such as Personal Brand Management, Appearance Management, Effective Communication, Personality and Confidence Development, Influence with your Non-Verbal Communication, Wardrobe Management, Personal Shopping Service, Business and Dining etiquettes, Grooming, Make up and Accessories (For Women), Grooming and Accessories (For Men) Team Building for Employees, and 'Get Globally Ready' programs for global aspirants.

Her clients include CEOs, Bankers, Doctors and Healthcare professionals, Corporate Executives, Students, Teachers, and Homemakers.

Having lived in dynamic and cosmopolitan cities around the world, she applies the best aspects of her global exposure and international standards to her image consultancy solutions. Her passion for what she does comes from helping people achieve their dreams by looking polished, feeling positive and honing their untapped potential.

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## THE PSYCHOLOGY OF LOSS VS. GAIN

Sakshi Mandhyan  
Mandhyan Care



**IF YOU WANT TO KNOW WHAT A MAN IS REALLY LIKE, TAKE NOTICE OF HOW HE ACTS WHEN HE LOSES MONEY.**

- Simone Weil, French Philosopher



**T**he human mind is a complex assembly of emotions, thoughts and feelings - derived as a result of the interaction of a person's genetics and environment. Even though each of us is unique, we possess certain innate character traits that predispose us to behave in certain ways when faced with unknown or adverse situations. Just as evolution has caused noticeable biological changes, it has also brought about behavioural adaptations.

The natural response to 'Loss' is that of pain, disappointment and dejection. Conversely, 'Gain' leads to pleasure, satisfaction and validation. It is simple, is it not? Well, not according to the field of Psychology. Let's assume you are to be given ₹5000 - one alternative is to be given ₹5000 outright. The other alternative is to receive ₹10000 and then give back ₹5000. The utility is the same, but most individuals are likely to choose the first alternative, as the second one involves initially having more cash and then suffering a loss.

Our Mental Health is determined, to a large extent, by how effectively we can manage the variables in our life. Stress is a result of our resources falling short of the pressure around us. A Loss causes Stress because of our belief that each effort will lead to something gainful and when the opposite happens, it comes as a negative trigger.

The 'Loss Aversion' principle, a cognitive bias, refers to the human tendency to prefer avoiding losses to acquiring equivalent gains. Loss Aversion is an expression of fear. Psychologists Daniel Kahneman and Amos Tversky

developed the Prospect Theory in the year 1979 to validate the principle of 'Loss Aversion', identifying that the pain of loss is psychologically about twice as powerful as the pleasure of gaining. This also explains why negative emotions or setbacks have a stronger impact than progress or positive developments. News channels sensationalize negativity to attract more eyes. According to a study, in marital interactions, it generally takes at least five kind comments to offset for one critical comment (Baumeister et al, 2001). As Charles Darwin once said, "Everyone feels blame more acutely than praise."

In another study (Irwin P. Lewin et al) called "a tale of two Pizzas", consumers were asked either to build up a basic Pizza by adding ingredients or to scale down a fully loaded Pizza by removing ingredients. Consumers who were asked to remove the ingredients ended up with Pizzas that had significantly more ingredients than the Pizzas prepared by Consumers who were asked to add ingredients. Removing ingredients led to a fuller Pizza, rather than adding toppings as the Consumer could see what they were losing out on.

Loss Aversion is caused as a result of neurological, socioeconomic, and cultural factors. The make-up of our brain, our socioeconomic position (where we stand in the social hierarchy - more power or wealth usually leads to a lesser aversion to loss) and cultural background (cultures that support collectivism have better community support and therefore a lesser aversion to loss, compared to those that support individualism) determine how we are affected by Loss.

The human brain is wired in a way that we are attached to what we possess - be it the people we have in our lives or material possessions. Whilst the level of this attachment varies from person to person, losing something can be emotionally challenging. The more we have, the more vulnerable we are. On occasion, marketing companies take advantage of this behaviour by offering a trial period. In case the consumers incorporate a service into their lives, they are more likely to purchase it as they may feel a sense of 'Loss' in letting go of the service.

Loss Aversion also causes emotional turmoil at a time when we need to scale back. It is psychologically painful to move from a large mansion to a smaller home, or from a luxury sedan to a basic hatchback. Even the rich are not spared.

The pain of losing one's fortune exceeds the emotional satisfaction of adding to their wealth, leading to anxiety and insecurity.



**OUR MENTAL HEALTH IS DETERMINED, TO A LARGE EXTENT, BY HOW EFFECTIVELY WE CAN MANAGE THE VARIABLES IN OUR LIFE. STRESS IS A RESULT OF OUR RESOURCES FALLING SHORT OF THE PRESSURE AROUND US. A LOSS CAUSES STRESS BECAUSE OF OUR BELIEF THAT EACH EFFORT WILL LEAD TO SOMETHING GAINFUL AND WHEN THE OPPOSITE HAPPENS, IT COMES AS A NEGATIVE TRIGGER.**



This principle applies rather well in the financial world. Traders or investors are generally reluctant to cover loss-making positions, whereas they are prompt in covering profit-making positions that are performing much better. At times, a result of this decision-making process is below-average performance or even capital loss. The financial volatility caused by COVID-19 in March 2020, is a prime example where frightened investors sold off assets in a herd - a display of loss aversion in response to the uncertainty of the pandemic.

Another financial instrument where this principle applies is Mutual Funds. For instance - a Financial Advisor recommends to you a fund with an average return of 15% over the last three years. Another Financial Advisor recommends to you the same fund but says that while the fund has provided above-average returns for the last decade, the return for the last one year has been quite low. You are more likely to buy from the first Advisor who said the fund's return has been good.

Does Loss Aversion apply only to material things or assets? No. It applies to ideologies and opinions too. We own our thoughts and ideas, and tend to value them more than they are worth. In a way, we are invested in them too. Therefore, when we face resistance to our ideologies or opinions, we run the risk of dismissing potentially better ideas, just to

maintain a positive attitude towards ourselves. Everyone hates to lose an argument. In other words, we tend to hold on to our impractical, inaccurate or even illogical ideas, just to not lose. Most of us are resistant to change and stick to the status quo - as we focus more on what we might lose rather than what we might gain.

Loss Aversion even applies to Marital relationships. Where a marital relationship becomes stagnant, the couple may want to continue their same old ways. Both individuals get used to each other, stick to their old habits, and resist stepping out of their comfort zone, even though it does not help their relationship much. This is to avoid the heartbreak or the loss associated with losing a relationship, which outweighs the feeling of improvement or moving on.

### Is Loss Aversion simply disadvantageous?

No. While Loss Aversion can cloud potentially profitable decisions, it can also be beneficial to our way of life. Responding more strongly to threats rather than opportunities is an example of our innate survival instinct. Loss Aversion can help keep us away from investments that are potentially damaging or excessively volatile.

### Is there a solution?

Well, yes there is. In case Loss Aversion leads to a point where an individual finds it tough to make logical choices or decisions with potential gains, it is important to work around it. Firstly, before taking a decision that you feel could be influenced by Loss Aversion, it is important to frame your thoughts in a way to highlight the potential gains instead of the losses. This will change your perception of the decision or the transaction to be taken. Secondly, try to visualize and ask yourself what the worst possible outcome of the decision can be, without 'catastrophizing' (only looking at the worst possible outcome). This will rationalize your thought process, and tell you if it is worth taking the decision or not. In other words, develop self-awareness and try to understand the context of the decision before you go ahead with it.

To summarize, Loss Aversion cannot be termed as good or bad, rational or irrational. As with many other things in life, the verdict depends on various factors. All decisions come with uncertainties and risks, and need to be assessed with a forward-looking realistic mindset. The key is to build self-awareness and be mindful of our behaviour.

**Sakshi Mandhyan** is an Award-winning Happiness Coach, Psychologist and Keynote Speaker with over 12 years of quality experience. She is also the Founder of Mandhyan Care, a Positive Mental Health Initiative. Sakshi helps various Fortune 500 organizations with mental well-being blueprints. She helps them in developing a Positive Workplace culture. She is a leading exponent of Stigma-free Workplaces and Mind-body Alignment. She is also associated with leading newspapers and forums like the World Economic Forum, Hindustan Times, StartUp India, BRICS Chamber of Commerce and Industry, Hindustan Dainik and RED FM to name a few.



## EASY TO MAKE VEGAN BREAKFAST OPTIONS

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



By Ritu Zaveri  
Yoga Teacher & Writer

**B**reakfast is considered one of the most important meals of the day. Metabolism is considered to be at its highest early in the morning and provides energy for the entire day's activities. It is imperative to find healthy options that provide essential nutrients and supply our system with the required energy levels. Vegan breakfast options are not only healthy and satisfying but are also filled with the goodness of greens and fruits. Let's have a look at some fun, quick and simple breakfast options:

### Blueberry - Strawberry Smoothie Bowl

#### Ingredients

- 1/3 cup unsweetened blueberry or pomegranate juice
- 1/3 cup 2% plain Vegan Greek yogurt
- 3/4 th cup fresh blueberries, divided
- 1/2 ripe peeled avocado
- 1 cup ice cubes
- 1/2 cup sliced fresh strawberries
- 1 tablespoon sliced almonds, toasted

#### Directions:

##### Step 1

Place juice, yogurt, half of blueberries, and avocado in a blender; process until well combined, about 15 seconds. Add ice; process until smooth, about 30 seconds.

##### Step 2

Pour smoothie mixture into a bowl; top with remaining half of blueberries, strawberries, and almonds.

### Kale and Chickpea Grain bowl

#### Ingredients

- 1 cup boiling water
- 1/2 cup uncooked bulgur
- 15 oz unsalted chickpeas, cooked
- 1 1/2 tbsp canola oil
- 2 cups finely chopped carrot
- 4 cups chopped kale
- 1/2 cup vertically sliced shallots
- 1/2 cup fresh flat leaf parsley
- 3/4 spoon salt
- 1/2 tsp black pepper
- 1/2 avocado peeled
- 2 tbsp extra virgin olive oil
- 1 tbsp fresh lemon juice
- 1 tbsp water
- 1 tbsp tahini

- 1 garlic clove
- 1/4 tsp ground turmeric

#### Directions

##### Step 1

Combine 1 cup boiling water and bulgur in a medium bowl. Let stand 10 minutes; drain well.

##### Step 2

Pat chickpeas dry with paper towels. Heat canola oil in a large skillet over high. Add chickpeas and carrots; cook, stirring occasionally, until chickpeas are browned, about 6 minutes. Add kale; cover and cook until kale is slightly wilted, and carrots are tender, about 2 minutes. Add chickpea mixture, shallots, parsley, 1/2 teaspoon salt, and pepper to bulgur; toss.

##### Step 3

Process avocado, olive oil, juice, 1 tablespoon water, tahini, garlic, turmeric, and remaining 1/4 teaspoon salt in a food processor until smooth. Divide bulgur mixture among 4 bowls; drizzle evenly with avocado mixture.



**BREAKFAST IS CONSIDERED ONE OF THE MOST IMPORTANT MEALS OF THE DAY. METABOLISM IS CONSIDERED TO BE AT ITS HIGHEST EARLY IN THE MORNING AND PROVIDES ENERGY FOR THE ENTIRE DAY'S ACTIVITIES. IT IS IMPERATIVE TO FIND HEALTHY OPTIONS THAT PROVIDE ESSENTIAL NUTRIENTS AND SUPPLY OUR SYSTEM WITH THE REQUIRED ENERGY LEVELS.**



## Cherry - Chia Pudding

### Ingredients

- ½ cup chia seeds
- 2 teaspoons honey
- 2 cups unsweetened almond milk (storebought or make your own)
- 2 cups frozen cherries
- ½ cup water

### Directions

1. Mix chia seeds, honey and almond milk in a medium bowl. Cover and chill in the fridge for 4 hours, or even better, overnight.
2. Blend the cherries with a half-cup of water until you have a thick sauce. Pour the cherry sauce evenly into two mason jars; add the chia pudding otop.
3. Add toppings of your choice. My favourites are pitted cherries, coconut flakes, and cocoa nibs.
4. Serve and enjoy! Store leftovers in an airtight container in the fridge for up to 5 days.

## Refried beans with Avocado on toast

### Ingredients

- 2 slices sandwich bread
- 1 cup homemade or store-bought vegan refried beans
- 1 avocado, thinly sliced
- A few slivers white onion
- Coarse sea salt

### Directions

1. Toast bread to desired level of doneness. Top with refried beans and avocado (mash with a fork if desired). Add slivered onions, sprinkle with salt, and serve.

## Special equipment Toaster

## Warm and Nutty Cinnamon Quinoa

A red quinoa can be used here, but you can use whatever kind you like, white/buff coloured seems to be the most common. Also, a few notes and tips from the book: low-fat soy milk may replace the low fat milk, blueberries may replace the blackberries, dark honey may replace the agave nectar, and walnuts may replace the pecans.

### Ingredients:

- 1 cup organic 1% vegan milk
- 1 cup water
- 1 cup organic quinoa, (hs note: rinse quinoa)
- 2 cups fresh blackberries, organic preferred
- ½ teaspoon ground cinnamon
- 1/3 cup chopped pecans, toasted\*
- 4 teaspoons organic agave nectar

### Directions:

Combine milk, water and quinoa in a medium saucepan. Bring to a boil over high heat. Reduce heat to medium-low; cover and simmer 15 minutes or until most of the liquid is absorbed. Turn off heat; let stand covered 5 minutes. Stir in blackberries and cinnamon; transfer to four bowls and top with pecans. Drizzle 1 teaspoon agave nectar over each serving.

### Serves 4.

\*While the quinoa cooks, roast the pecans in a 350F degree toaster oven for 5 to 6 minutes or in a dry skillet over medium heat for about 3 minutes.

**Prisim Healing Institute** is an alternative health center that believes in healing one individual at a time.

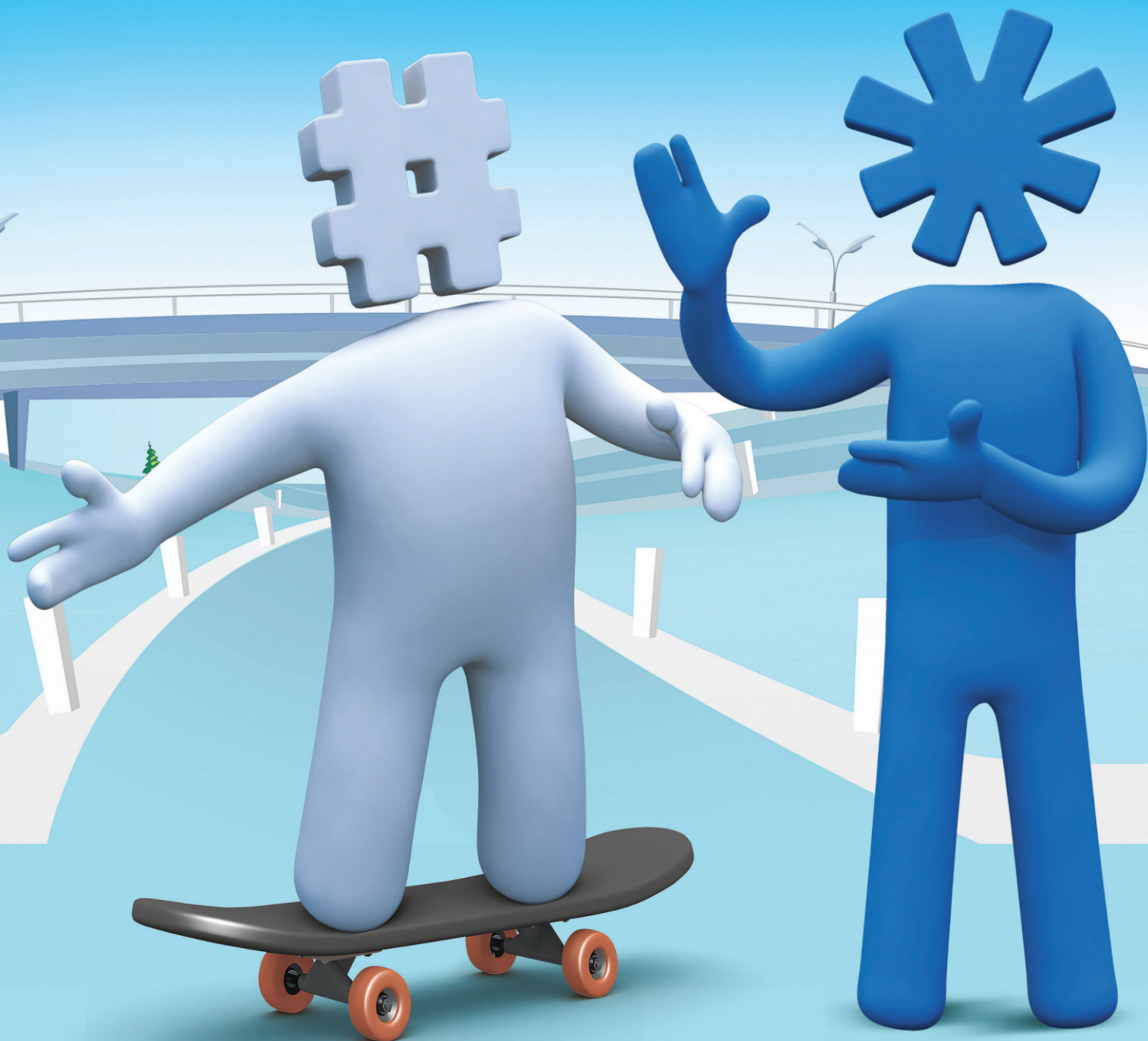
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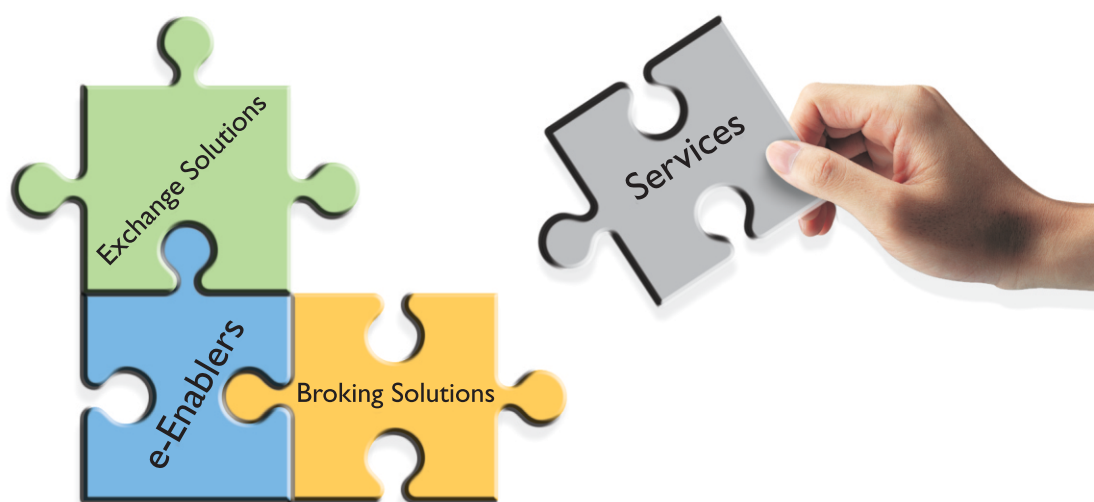
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### Pioneers in Derivatives Back Office

We are a 100% subsidiary of Bombay Stock Exchange Ltd., with different products suites, which includes back-office solutions Viz. CLASS™ & SPARK™ providing for Brokerage business for Capital, Derivative, Commodity, Currency Derivatives, Mutual Fund Market segments, and have Web Based DP back office for both CDSL & NSDL.

We are empanelled for Order routing solution Vis. FASTRADE™ for ALL SEGMENTS - BSE, USE, NSE, NCDEX, MCX & NMCE. Our product suites includes Thick, Thin (EXE / Browser), ASP Module and Mobile Trading.

We cover the entire gamut of services that are core to the Equity, Derivative, Commodity, Mutual Fund & Currency Markets such as:

Broking Solutions	Exchange Solutions	e-Enablers	Services
<ul style="list-style-type: none"> <li>Trading &amp; Risk Management</li> <li>Clearing &amp; Settlement</li> <li>Depository Participant Back Office</li> <li>NBFC Back Office</li> <li>IPO Application processing</li> </ul>	<ul style="list-style-type: none"> <li>Order Routing, Matching &amp; Management</li> <li>Risk Management</li> <li>Surveillance</li> <li>Clearing &amp; Settlement</li> <li>Corporate Bond Reporting</li> </ul>	<ul style="list-style-type: none"> <li>Wealth Analyzer</li> <li>Payment Gateway</li> <li>Digital Signature &amp; e-mailing</li> <li>Change &amp; Release Management</li> </ul>	<ul style="list-style-type: none"> <li>Consultancy</li> <li>Web Interfaces</li> <li>Process Management</li> </ul>

To know more about our company and the entire gamut of services please visit us at - [www.mkttech.in](http://www.mkttech.in)  
Download our Corporate Brochure from [http://www.mkttech.in/company/MT\\_corporate\\_brochure.pdf](http://www.mkttech.in/company/MT_corporate_brochure.pdf)

You can depend on us